

SECRET

INSPECTOR GENERAL'S SURVEY
OF THE
OFFICE OF LOGISTICS

STATINTL

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INSPECTOR GENERAL'S SURVEY
OF THE
OFFICE OF LOGISTICS

AUGUST 1969

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OFFICE OF LOGISTICS

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INTRODUCTION

1. The Office of Logistics, of the Support Directorate, is a large complex of different but generally related divisions whose common aim is to render service to all Agency elements world-wide. The five basic divisions are Supply, Procurement, Real Estate and Construction, Printing Services, and Logistics Services. The Staff elements are Personnel and Training, Budget and Fiscal, Records and Services, Security, Planning, and a Contract Review Board which is advisory to the Director of Logistics.

2. Each division, except Logistics Services, is organized to operate in a specific, easily defined field, and division titles are accurately descriptive. Logistics Services, the exception, is a collection of generally unrelated functions brought under a single command structure. The branch and unit names under the division are reasonably definitive; such as, Motor Pool, Telephone Facilities, Mail and Courier, etc.

3. The Office has an approved ceiling of staff, 3 contract, and 3 military detailees; and, as of 1 July, there were employees on duty. The overstrength is due to the recent strength reduction overseas and is very low as a consequence of the normal seasonal rotation schedules for overseas assignments. The Office of the Deputy Director for Support monitors all DD/S T/O's to balance overages and

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shortages against the overall DD/S total allowance.

4. All Logistics elements in the Washington area were covered in the survey except the Printing Services Division. That unit was surveyed by this office late in 1966, and it was decided there would be little useful purpose in a reexamination. [redacted]

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[redacted]
logistical matters in support of southeast Asia. The following overseas stations were visited and logistical functions and personnel surveyed: [redacted]

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Vientiane. (At the time of the overseas TDY in April, the team was asked to bypass Saigon in view of the critical situation in the area.)

5. Logistics provides personnel to overseas and domestic components in the fields of supply, procurement, engineering and maintenance and transportation. The great majority of these personnel are furnished by the Supply Division.

6. In general, we find that the Office of Logistics is well organized and well managed and that a large proportion of its personnel is qualified, well motivated and dedicated to the concept of rendering service. Throughout our survey we found the Agency components served by the Office to be virtually unanimous in their appreciation of its efforts, which have ranged from small, personal

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services to programs of major magnitude such as the provision of logistical support to southeast Asian operations.

7. By most standards physical facilities are excellent for Agency purposes. They are well maintained, professionally managed, well located for assigned missions, and properly staffed.

8. Missions and functions are well defined for all elements and most such instructions are of long standing and have been tested and proven sound.

9. During the survey, considerable attention was devoted to the responsibilities and authorities of the Director of Logistics in the field of contracting and a major section of this report of survey (The Contracting Process in the Central Intelligence Agency) is devoted to the manner in which this important activity is managed and organized.

10. We have been impressed with the difficulties and complexities of the task that faced the Director and Deputy Director of Logistics in 1967 when the decision to decentralize this Agency's procurement activities was reached. At the time of the survey, less than two years later, though the reorganization was still underway, all the major elements of a decentralized contracting program had been formed and were functioning. Most importantly, this difficult transition had been achieved without major disruptions in the contracting process.

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11. Specifically, a Contract Review Board had been created and staffed, three of the four Directorates were being served by independent contracting teams in various stages of development, a rudimentary contract information system was in operation, and a monthly Procurement Officers' Meeting was functioning as a coordinating and information exchange mechanism for senior contracting personnel.

12. Inevitably, a major organizational and functional re-organization such as this generates subsidiary problems and we found that the conversion to decentralized contracting had been no exception. Half of our recommendations are directed to various phases of the prevailing contracting organization and processes. We find nothing exceptional in this fact and we wish to emphasize that, in our view, the deficiencies we have noted and addressed in no way detract from the considerable achievements which we have observed.

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PLANNING STAFF

1. The Planning Staff operates as a staff unit under the command line through the Executive Officer to the Director of Logistics. It has a T/O of [redacted] on duty. It is divided into three elements: Plans and Liaison Branch, Review and Analysis Branch, and Traffic Policy Branch.

2. The principal function, that of planning, is conducted by the Plans and Liaison Branch. This element is also responsible for liaison with other government agencies, principally the military services, on logistical matters as they effect Agency operations. The planning mission encompasses war planning, cold-war planning, emergency relocation, weather emergencies, etc. Other assigned missions include special studies and surveys on subjects ranging from space utilization to employee parking problems and use of the Government Services Incorporated cafeteria. The Branch maintains direct liaison with Agency operating components to assist in the preparation of logistical annexes to operational plans.

3. The Review and Analysis Branch handles all aspects of the preparation and publication of logistical regulatory issuances and the review and analysis of all Agency regulations and policy as they may affect the Office of Logistics. Some miscellaneous functions of this Branch are the maintenance and preparation of statistical data

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necessary to decision making by senior management of the office and the preparation of specialized studies.

4. The Traffic Policy Branch is assigned the mission of examining all elements of freight and cargo handling and transportation for which the Office of Logistics is responsible. The Supply Division is the unit which physically handles the materiel. This Branch is at the policy level.

5. While several of the assigned missions of the Planning Staff, by definition, seem remote to the title "planning," there appears no more appropriate place to locate these functions, and we find no objections to these arrangements. In short, this Staff might well be defined as the general staff for the Director of Logistics and as such it serves a very useful purpose. The morale of the unit is good, personnel expressed respect for their supervisors and most find their work challenging and rewarding.

6. We find no serious problems, overlaps or duplications in the functions of this element--with one possible exception. There appears to be some duplication of effort by the Planning Staff and the Budget and Fiscal Staff in the preparation of the Logistics budget. We do not feel that the matter warrants a formal recommendation by us. We do suggest, however, that it be given attention.

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PERSONNEL AND TRAINING STAFF

1. The Personnel and Training Staff has a T/O of [redacted]

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positions. There are [redacted] on duty, consisting of the

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[redacted]
The organizational chart shows this unit on the staff line below the Deputy and Executive, but, in fact, it operates directly under and reports directly to the Director of Logistics.

2. The Staff maintains the official personnel records for all employees assigned to the Office of Logistics. This includes all headquarters personnel and those [redacted] overseas assignments, but does not include [redacted]

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3. The survey team finds that the Office of Logistics does not have a career service board that functions as such. The Office used

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a career board system until late 1964. It was ignored thereafter as unproductive both by a previous and by the present Director of Logistics.

4. The present Director of Logistics is experienced in the field of personnel administration, and we respect his capabilities; however, the subject of personnel management was the most often raised item, domestic and overseas, throughout the entire survey. Practically every employee raised a question under the general heading of personnel management during our interviews. Many of the employees asked questions on promotion, which is normal, and is encountered on any survey. The difference here, however, was that these employees were not complaining of failure to be promoted, but rather of a lack of information on the subject of promotional policies. When we asked questions of employees on career management and career development, we found practically every employee expressed a total lack of knowledge on the subject.

5. Here are some examples of problems the team encountered:

a. Logistics personnel in the Far East, almost without exception, complained they could not get timely information on their next assignment when rotation was imminent.

b. Several employees could not get their leave records straightened out upon return to headquarters.

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One case was nearly a year old. (This is more the fault of the area division and the Office of Finance, but indicates that Logistics didn't follow through.)

c. Several overseas employees had asked for special arrangements on training, which required headquarters approval, and they could not get a timely answer.

d. The Chief of the Motor Pool Branch knows he is losing six or seven employees, but has no information on replacements.

e. One female employee was specific in her complaint that while she could not get promoted (although vacancies had occurred) no one would tell her why. She stated she would feel better if someone would just tell her that she was not going to be promoted (if this were the case); then she could decide whether to stay with Logistics or seek other employment.

f. Several supervisors in various elements of Logistics made the comment that anytime they or an employee had a personnel problem they were always told to report to the Personnel Staff in the Ames Building and that personnel people never came to

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see them.

g. Available records reveal that only 27 honor or merit awards have been granted to Logistics employees since 1956. Of the 27, 12 were given to employees who were retiring or who were military detailees returning to their parent organization. In other words, approximately 15 awards have been given in 13 years by an Office that controls approximately [redacted] Logistics careerists.

h. Most Logistics careerists assigned to area divisions expressed the view that once so assigned they were forgotten and that their careers suffered as a consequence.

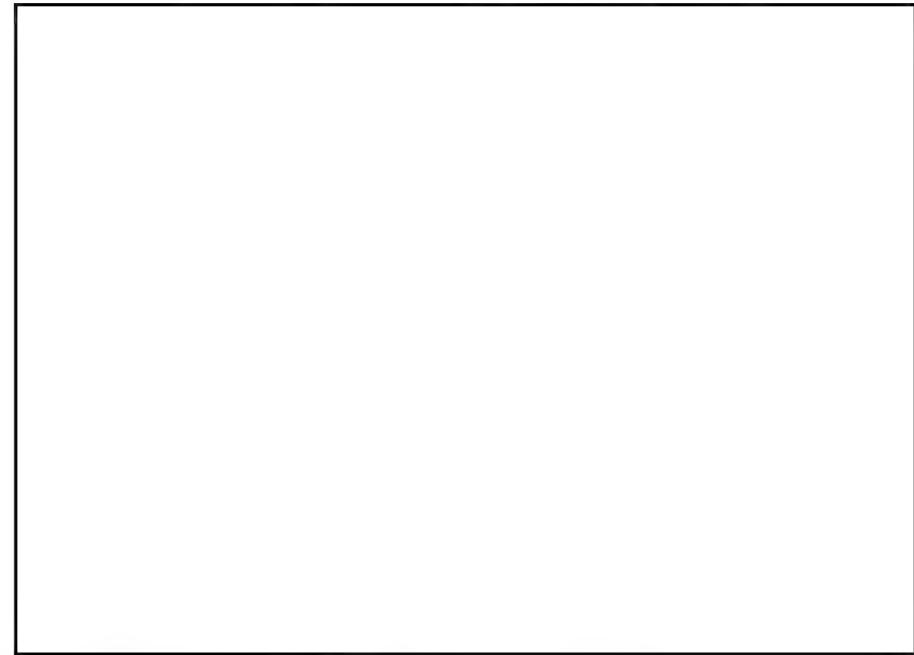
i. The team found a number of cases of mis-slotting and double slotting. While the number was not unusually large, several of these cases had been misslotted for up to two years.

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These examples, while cited in the chapter devoted to the Personnel Staff, are not intended as criticisms of that Staff but rather indicate that personnel practices are deficient office wide.

6. It is the general conclusion of the survey team that the quality of personnel management in the Office of Logistics stands seriously in need of improvement, and that, with rare exceptions, the shortcomings are to be found at every level of supervision. An exception is in Real Estate and Construction where the Chief appears to be making a real effort to plan and manage the careers of the employees assigned to his Division and to communicate with them on these matters.

7. In contrast to personnel management, the team was impressed by the efforts of the Personnel Staff in the fields of internal and

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external training. Records indicate that for the calendar year 1968, requests for training were processed: for internal training and for external training. Nearly Logistics careerists were enrolled in 101 courses with a very minimal expenditure of \$19,000. Most employees spoke well of the efforts of the training officer, who is a member of the Personnel Staff. The only exception, as noted earlier, concerned delay in receiving notification of decisions on training requests.

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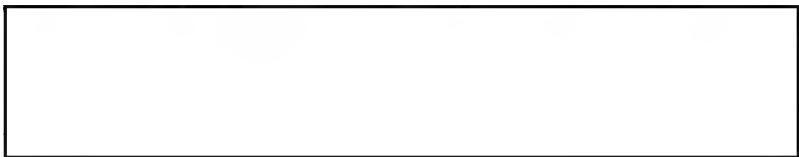
8. The flaws we observed in personnel management in Logistics appear to stem primarily from deficiencies in internal communications between management and employees, and it is to these deficiencies that our recommendations are mainly addressed.

Recommendation No. 1

That the Director of Logistics:

a. Broaden the base of participation by division chiefs in the decision-making process on personnel assignments, reassignments, and promotions.

b. Establish and enforce a program which will ensure that branch and section chiefs participate with their division chiefs in the processes of personnel management and career planning for employees under their jurisdictions, perhaps to include at least annual employee counseling.



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d. Establish a regular and continuing program under which every employee returning from assignment [redacted] would be scheduled for career counseling sessions with his division chief and the Chief of the Personnel Staff.

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SECURITY STAFF

1. The Security Staff of the Office of Logistics consists of

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The Staff provides advice to the Director of Logistics on operational, physical, and personnel security; maintains liaison with other Agency security components; and, as a major responsibility, manages the industrial security program on behalf of the Director of Logistics. By the provisions of [redacted] the Director of Security is responsible for the development of industrial security policy and standards and the Director of Logistics is responsible for the implementation of, and adherence to, such policies and standards. The Security Staff is the agent of the Director of Logistics in fulfilling these industrial security responsibilities.

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2. The Chief of the Security Staff at the time of our survey did not have responsibility for or authority over the security officers on the independent contracting teams of the various directorates. Those officers received their routine tasking and policy direction only from the head of their respective contracting team. For a formal resolution of an industrial security policy problem, the Chief of the Security Staff was obliged to pass his recommendations or instructions to a team security officer through the Director of

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Logistics and the head of the contracting team. Informally, an indirect channel of communication between the Chief of the Security Staff and the security officers on the teams had been developed which was based on a commonality of interests among professional security officers and which made formal channels unnecessary in the majority of instances.

3. We believe that security support to the Agency's contracting activities could be better structured to achieve a more orderly command relationship for the implementation of industrial security policy and for the resolution of problems inherent in this activity. The security officers assigned to the contracting teams should have the same policy relationship to the Chief of the Security Staff, as the agent of the Director of Logistics, that contracting officers would have to the Assistant Deputy Director of Logistics for Contracting under our recommended structure for contracting policy.

4. An Office of Security careerist coming to an industrial security assignment for the first time often requires special training and policy indoctrination before being assigned to an independent contracting team. There is no formal arrangement for providing such training and indoctrination. No understanding exists for assuring that security officers chosen for industrial security assignments have the benefit of Security Staff experience prior to

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assuming contracting team responsibilities, nor has the Chief of Security Staff received authority for recommending or controlling the rotation of industrial security officers to prevent major disruptions in industrial security programs.

5. We also found that, in common with the practices prevailing for contracting officers on the independent contracting teams, fitness reports of the industrial security officers are reviewed by the host directorate or office, rather than by an official who would rate the employee on how well he had fulfilled his security responsibilities. We feel that the fitness reports of contracting team security officers should be reviewed by the Chief of the Security Staff.

Recommendation No. 2

That the Director of Logistics negotiate with the Director of Security an agreement that all industrial security officers serving with the Office of Logistics be assigned to the Office of Logistics Security Staff for training and for subsequent reassignment to the independent contracting teams and staff components.

Recommendation No. 3

That the Director of Logistics, in consultation with the Director of Security and, as necessary, with appropriate Deputy Directors, establish the policy that the Chief, Security Staff, Office of Logistics, shall be the reviewing official on fitness reports of Office of Security personnel assigned to the independent contracting teams.

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6. The decentralization of Agency funded procurement activities has affected all industrial security activities and components except one. Responsibility for industrial security matters involving special projects on the [redacted]

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[redacted] continue to be handled out of the Security Management Staff of the Directorate for Science and Technology. Two industrial security officers reporting directly to the Security Management Staff are maintained [redacted]

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[redacted]. Neither these officers nor the personnel of the Security Management Staff are subordinate to the Director of Logistics or to his Security Staff in the performance of their industrial security duties. This arrangement is a holdover from the period prior to decentralization and represents a departure from the apparent intent of existing headquarters regulations. We believe that the situation should be examined by the Director of Logistics to determine whether or not it is in the Agency's short and long term interests to subordinate the industrial security activities being performed by the Directorate for Science and Technology [redacted]

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[redacted] Such a move would ensure that all elements of industrial security related to Agency funded contracts were under the direct control and authority of

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the Director of Logistics.

Recommendation No. 4

That the Director of Logistics explore with
the Deputy Director for Science and Technology
the feasibility and the desirability of sub-
ordinating [redacted]
(under the general supervision of the Logistics
Security Staff) the two industrial security
officers [redacted] who now report to
the DDS&I Security Management Staff.

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BUDGET AND FISCAL STAFF

The Budget and Fiscal Staff, which is subordinate to the Executive Officer, is headed by a GS-14 Office of Finance careerist who supervises seven other Office of Finance employees. The duties and responsibilities of this Staff are typical of those of comparable activities elsewhere in the Agency. It is responsible for the preparation of budget estimates for the Office of Logistics, makes a major statistical input to the Five Year Program Call, is responsible for the month-to-month execution of the [redacted] Office of Logistics budget, and administers the Property Requisitioning Authority (PRA) for the Office of Logistics and the Property Procurement Allotment (PPA) for the Agency. We found this Staff to be well supervised, knowledgeable and efficient.

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RECORDS AND SERVICES BRANCH

X9 1. The Records and Services Branch of the Office of Logistics
is subordinate to the Executive Officer. [redacted]

[redacted] This Branch provides the
Top Secret Control Officer for Logistics, maintains control over
records of cryptonyms and pseudonyms, maintains Agency regulations,
serves as a distribution point for publications, [redacted]

X1 [redacted] maintains a \$300 imprest fund for [redacted]
maintains the official files for the Director of Logistics, provides
the Management Records Officer for the Office and handles all
correspondence (cables, dispatches, memoranda, etc.) generated by
or addressed to the Office of Logistics.

2. We found the employees of this Branch to be well motivated
and knowledgeable in their jobs. The facility is well maintained,
neat and orderly, and has a general air of efficiency.

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REAL ESTATE AND CONSTRUCTION DIVISION

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1. The Real Estate and Construction Division has an Agency-wide mission to acquire, modify, renovate, maintain, manage and dispose of Agency real property--whether owned, leased, or assigned--and to provide support and technical guidance world-wide in construction. The Division early this year had a T/O of positions with employees on duty. These figures were being adjusted by assignment of staff personnel to overseas positions and by realignment of functions between this Division and Logistics Services Division.

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Engineering Branch

2. This Branch provides to management advice and consultation for construction to meet Agency requirements by use of in-house personnel, personnel from other agencies or by private contractors. It also has the mission of providing qualified personnel to supervise the maintenance of Agency controlled facilities such as

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3. In terms of construction, Agency regulations require that all Agency elements must come to this Division (and the Engineering Branch) for approvals where Agency funded construction is involved. Several projects have been excepted from this rule, but in these cases Division engineers are normally detailed to monitor the projects.

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By drawing upon the skills and talents of other agencies or by negotiating contracts, the Division is able to function with a remarkably small staff.

4. We have had trouble in the past in acquiring and retaining qualified civil, electrical and mechanical engineers. The present Division Chief has implemented programs which we feel will help retain the personnel we now have and present a more attractive employment picture to recruitable engineers. The principal improvement is an announced program of internal and external training designed to keep current an employee's engineering skills by refresher courses and programmed training and to include courses to improve managerial capabilities of selected engineers.

5. The following figures provide a picture of the Division's current workload:

<u>Type of Activities</u>	<u>No. Projects</u>	<u>\$ Value</u>
Projects in Planning		
Projects in Progress		
Completions in FY-69		
New Construction Starts		

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Real Estate Branch

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6. This Branch's prime mission is the acquisition, modification and disposal of [redacted] real estate and the provision of advice and guidance to those elements which have received delegated

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authority to acquire real estate directly. This Branch has an important secondary function of maintaining liaison with other government agencies--principally the Government Services Administration, Department of Defense and the Department of State--on real property matters. The Branch also has people with a knowledge of real estate appraisal who maintain contact directly with domestic real estate firms and indirectly with foreign firms in order to ensure that we acquire and dispose of real estate at realistic prices.

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without prior Logistics approval. Overseas stations also have the authority to rent safe houses and other property. Except as approved by higher authority, all safe houses [redacted]

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must be reported by type and address to this Branch. The identity of the property is protected, if required, by special security measures in the Branch. Overseas safe houses are reported only if they are on hand at the time the monthly real property report is submitted.

8. Liberalized regulations are being developed which will simplify real property reporting. When approved, the new regulations will require quarterly reports and will exclude properties that rent for less than \$100 a month. Also, any property acquired and released

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between reporting periods will not be reported. This method will reduce station workload with little loss of headquarters managerial control. This new procedure will reduce the reporting effort required of field station personnel since headquarters will furnish machine listings to each station showing the real estate holdings of the station for a given time. The station will then need only to add or delete its gains and losses and return the report to headquarters. This system is similar to Supply Division procedures in the handling of Type III property accounts.

9. The Agency owns, leases, or otherwise holds a great deal of real property. The latest machine listing records nearly [redacted] pieces. Some explanation of this figure is necessary. The [redacted] Station, for example, consists of over 300 pieces of property--not one. Each set of quarters, warehouse, service building, etc. counts as a property, as would an installation such as an antenna field. The total holdings may be broken down into these broad, general groupings:

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[redacted]
It should be noted that Logistics does not have a command role in real property acquisition.

10. Real Estate and Construction Division appeared to us to be

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well managed, staffed with competent personnel, and highly productive. Morale is excellent, and we found employees generally enthusiastic about their work. Of particular significance, in our view, are the improvements being instituted in the Division by the present chief in terms of personnel management and in improved procedures.

11. The functions of this Division tie in closely with the Agency's safety program, which is handled by the Office of Security. Logistics has the technically qualified personnel in several engineering fields to support many of the aspects of a safety program. Also, logistics activities by their nature pose a variety of hazards to safety. We have in mind such things as material handling equipment, packing and crating, machine tools, motor pools, and ordnance handling and storage. We believe that, because concern for safety is inherent in so much that Logistics does, it would make sense to give that office the responsibility for managing the Agency's safety program. This is a subject that has been considered before, but we believe that it merits reexamination.

Recommendation No. 5

That the Deputy Director for Support consider transferring responsibility for the Agency Safety Program, along with slots, from the Office of Security to the Office of Logistics.

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SUPPLY DIVISION

1. The mission of the Supply Division is to establish and implement policies and procedures for the Agency-wide and world-wide supply system; to maintain, staff, [redacted] and to provide trained personnel for assignment to logistic positions at [redacted] overseas installations.

2. Supply Division is the largest element of the Office of Logistics in terms of number of employees actually assigned to a division being responsible for over [redacted] employees. The Washington T/O is [redacted] employees; an average of [redacted] supply personnel are assigned overseas; [redacted]

[redacted] As of this writing, the Division is 24 employees overstrength--a situation that is partly seasonal and partly a consequence of BALPA. This should be no cause for alarm as a number of these employees are necessary to the rotation system, [redacted] and this overage will largely disappear each summer and begin to rebuild each fall. The above T/O

[redacted]

3. There are three major elements of the headquarters staff: the Supply Management Branch, Central Control and Distribution

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portation. The Agency maintains a modest fleet of cargo carrying vehicles for local and long distance over-the-road hauling. This Branch has a T/O of employees, eleven of whom are vehicle operators. They accomplish their mission efficiently and the Branch is adequately staffed with competent transportation specialists.

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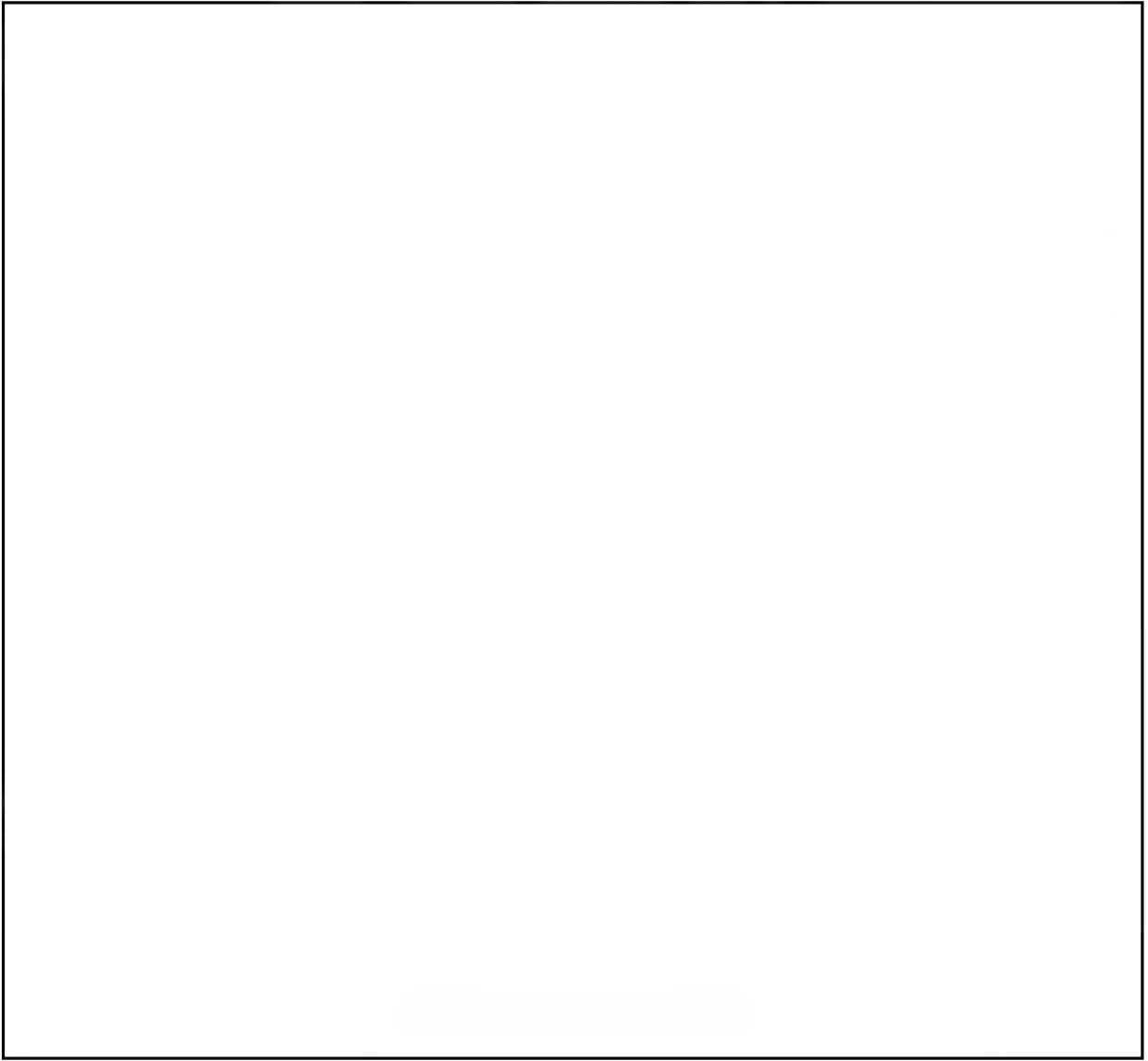
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Supply Division Branches

26. The three branches of Supply Division are the Field Support Branch, the Central Control and Distribution Branch, and the Supply Management Branch. The mission and responsibility of these elements are interwoven and they represent the staff portion of the Supply

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Division system. They are discussed separately below.

Field Support Branch

27. This Branch has a T/O of [redacted] and is responsible for the initiation or review of the various regulatory issuances that are created within the Supply Division or that originate from outside the Division and affect the Division operationally. It manages the Agency's acquisition and use of motor vehicles and, of growing importance, maintains the accountable records for selected overseas installations (Type III accounts). The Branch schedules, monitors and checks physical inventory for the Supply Division or for any other supply account when directed. The maintenance of accountable records by this element for a number of field stations occurred when the Type III property account system was installed. Of the three types of property accounts (Type I, Type II and Type III), the Type III account is designed to be the ultimate in simplicity from the standpoint of a small overseas field station. A simple explanation or comparison may be in order. A Type I facility must account for the property on hand, maintain accurate records, and have the capability to "sell" the merchandise they have to other customers, receive payment for the materiel, and use those funds to restock their inventory. [redacted] and Saigon are large Type I installations. By contrast, if a Type III facility requisitions an item from [redacted], the item will be shipped and

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the field station has no further action to take other than to record the fact that it received it. The inventory record and all financial aspects of the transaction are accomplished by the [redacted]

[redacted] of the Field Support Branch. The system has worked well but can be improved. The procedures should be further simplified and then considered for application to a number of smaller Type II property accounts. A large factor in this decision is the increased use of data processing. Logistics is moving in this direction by devising new procedures that will combine the best features of present Type II and III systems. A major problem will be that of finding a way to liberalize requirements for financial and property accounting and for retention of formal records.

Recommendation No. 8

That the Director of Logistics initiate with the Director of Finance a study to examine the present procedures used in the financial property accounting system to achieve still further simplification of those procedures and liberalize property and financial property account requirements in the Type II and Type III accounts.

Supply Management Branch

28. As the name implies, the mission of this Branch is to manage the acquisition, care, issue, and replenishment of Agency logistical stocks. The Branch has a T/O of [redacted] There are three sections under the Branch, and the Branch's functions are best

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explained by describing the missions of those three sections separately.

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a. [redacted]. This

Section consists of two units as described below:

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(1) [redacted] is the

Unit responsible for the managing of Agency stocks except ordnance and air-borne materiel.

In simplest terms, branch personnel determine what items of supply should be carried on the shelves and in what quantity and at what point resupply action should be instituted. In this managerial function, the Unit must take into account shelf life, lead time to effect re-supply, the problem of sterility, and must also decide which items should be discontinued or disposed of and replaced by newer models, etc. The Unit has a T/O of [redacted] employees on duty. The function is essential to sound supply management.

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(2) [redacted] This

program also is essential to any complex modern supply system. A supply catalogue is used by a requisitioner in order that he may identify an

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item and order by proper name and correct stock number. A Sears Roebuck catalogue is an example. Personnel with the skill to compile such a catalogue are also used to assist the requisitioning sources in identifying items that either are incorrectly requisitioned or that do not exist in our system. In addition, the personnel of the Unit maintain liaison with other government supply activities and stay cognizant of potential commercial sources.

b. [redacted] This is a [redacted]

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is staffed with well-qualified personnel and has a proven record of high level performance for many years. Three members of the staff received very large cash awards in June 1969 for a technical development that resulted in a very substantial dollar savings in a critically short item.

K1
K9 c. [redacted] This

Section, with a T/O of [redacted] has the dual mission of requisitioning on a proper format items of supply from other U.S. Government agencies and of maintaining liaison with these agencies to ensure that our requisitions are honored. The concept embodied here is that many government agencies have items of supply unique to that particular agency, and it is both economical and expeditious to acquire such items from that source. The requisition is prepared on a "MILSTRIP" form used by the military services, which is a punch card requisition form that can be handled by machines (MILSTRIP for the Government Services Administration).

29. The main concept behind the program described immediately above is that we requisition items from another agency whenever items commonly used by that agency are not necessarily common to

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our service. By this means we can reduce the amount of money we have tied up in stock and reduce the number of line items we must maintain on our shelves. There is another concept, however, equally important to this program: It is that we should not burden other agencies by requisitioning items in uneconomically small quantities and we should not requisition at all those that can be as easily procured by us as by that agency. In other words, we should not make a nuisance of ourselves by nickel-and-dime actions. We thereby run the risk of damaging a system that is tremendously beneficial to us by becoming a burden to the cooperating agency that stocks the desired items. We found some evidence that the Agency is placing nuisance requirements on other government agencies. We were assured that requisitions will be more carefully policed in the future.

30. We question the location of [redacted]

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[redacted] under the Stock Management Branch. The Section receives more than 90 percent of its work direction from the Central Control and Distribution Branch, discussed below, and from a standpoint of workload, perhaps it would make sense to place it under that branch.

Central Control and Distribution Branch

31. This Branch has a T/O of [redacted] and is located in

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the Ames Building. The Branch, in somewhat different form, was created several years ago to establish a central point where all requisitions would be received, analyzed, and decisions made as to how best to act upon a requisition and by whom. For example, a requisition from an overseas station might ask for four line items that could be acted upon by four units: [redacted]

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(1)

[redacted] and the Procurement Division. In this case, the Central Control and Distribution Branch would prepare extra copies of the requisition and forward action copies to the four elements involved. The concept is sound. However, as this Unit has developed through the years, procedural steps have been incorporated which should be reexamined. For example, when the Procurement Division has acted upon a requisition, the Central Control and Distribution Branch undertakes the follow-up to ensure that prompt delivery is made by the source. We feel that the administration (follow-up) of procurement actions should be a function of the procurement unit and not of a requisition processing component.

Recommendation No. 9

That the Director of Logistics revise present practice so as to provide that administration of procurement actions assigned to Procurement Division is conducted by the unit and officer undertaking the the procurement action.

32. Further, for items to be acted upon by [redacted], a

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copy of the requisition is sent to the [redacted]

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(1) At this point the [redacted] would make an additional run of the action, prepare receiving reports, set up a voucher file, etc., in addition to sending a copy to the warehouse floor for action.

33. Both the Central Control and Distribution Branch and the

(1) [redacted] maintain action files. Both will retire some of these old files to the [redacted] repository.

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Both have made reproduction runs, etc. If these two units were located side-by-side, only one reproduction unit would be necessary; a single file section would suffice; only one run of action documents would be necessary; one chief, deputy chief, and necessary clerical help would be eliminated. File disposition would be controlled and reduced. Only one unit would follow up requisition actions and almost one half of the present space being occupied would be saved. We recognize there are practical problems that argue against collocating these units. For example, there are advantages for Central Control and Distribution Branch and Cataloging to be close together. However, duplication in these procedures could be eliminated by managerial control. Ultimately the increased use of automatic data processing will have a major impact on these procedures. However, it is our view that this concept is several, if / not many, years away.

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Recommendation No. 10

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That the Director of Logistics and Chief,
Supply Division, consider the consolidation of
the Central Control and Distribution Branch and
[redacted] or take steps to reduce
duplication and to revise the procedures employed
by the units.

34. In summary, we found the Supply Division to be well
organized and managed and with an enviable record of work produc-
tivity and dependability. Morale is good, physical facilities
excellent, and most employees well motivated.

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LOGISTICS SERVICES DIVISION

1. The Logistics Services Division consists of a collection of essentially unrelated functions brought under a single command structure to provide a variety of logistical support to all overt Agency elements in the Washington area. The components of the Division are the Executive Dining Room, the Architectural Design Staff, and five branches: Space Maintenance and Facilities, Telephone Facilities, Building Services, Mail and Courier, and Motor Pool. In addition, the Division, primarily through the Space Maintenance and Facilities Branch, is the coordinating point with Public Buildings Service on the maintenance of the buildings and grounds and with Government Services Incorporated on food service and other services in the building; such as, the blind stands, vending machines, etc. As of 30 June 1969, the Division had an approved ceiling of positions, and there were employees on duty. There were also 19 summer employees on the rolls as of that date.

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2. In general, the physical facilities of the Division are adequate for the assigned missions. Morale generally is good, perhaps in part because the efforts of the Division are widely known and appreciated. This is not to say that the Division is not the target of complaints: it receives many and often over matters that

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it can control only partially. For example, the cafeteria is widely criticized for poor service and for prices that are out of line with the quality of the food. Logistics Services Division sometimes gets the blame; yet, this is something about which it can do very little. There also are frequent complaints about the snack bar vending machines, which often are out of order and charge high prices on some items. (Cigarettes, for example, cost more from the vending machines than they do at the blind stands.) It is our understanding that the concept of vending machines is that merchandise can be offered at a price equal to or lower than the same product sold over the counter because of lower costs for personnel salaries. Our discussions with Division personnel on this point were inconclusive. It is the Division's position that another vending machine company would be no more satisfactory than the one we now have. This may be so, but we found no evidence of a really concerted effort to demand better service or to seek a new company as an alternative.

3. This is a minor criticism, however, and should not be allowed to detract from our overall impression that the Division does an excellent job in the majority of the services it renders. Because the functions of the various components of the Division are so unrelated to each other, we feel we must discuss each of them separately--even though we realize that our discussion is "choppy" and fragmented.

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EXECUTIVE DINING ROOM

1. The Executive Dining Room by one name or another has been in operation since about 1951. It is managed by an individual furnished under a contract with a small corporation and has a

[redacted]

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secretary is a clerk-typist, bookkeeper, handles collections, and generally acts as the "girl Friday" for the dining room. It is generally accepted that this facility is useful and a desirable asset and will be continued in operation. The kitchen serves the Executive Dining Room, the Director's private dining room, and sends hot meals and other foods to a number of offices on call, supplies morning coffee, and handles special meals and parties.

2. There are [redacted] "members," and the dining room serves an average of 75 people a day at lunch. Each member on joining the facility deposits \$10 which is refundable upon leaving the membership. Prices allow for a small profit, which is used to buy kitchen equipment and other necessities for the kitchen and dining room. In 1968, \$40,900 was collected from customers. Of this, \$26,000 was for meals served, and the balance was from special parties, catering, and the daily coffee service.

3. We found the dining room well managed and, we feel,

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appreciated by the users. Most of the employees have been with the dining room for many years and are competent. However, there is a morale problem, which stems primarily from a firm belief by the staff that they are underpaid and overworked. The manager and the secretary had no complaints. The team requested Chief, Logistics Services Division, to ask the Office of Personnel to have a wage and classification audit conducted at an early date. This has been done.

4. As for overwork, it is the team's opinion that the staff may be somewhat spoiled. They have had better days and have served smaller numbers. Further, when one staff member left in June 1968, he was not replaced. There is an element of prestige involved in that this facility was called the Director's Dining Room and now has a less glamorous name. This seems to bother some of the staff. Further, as it is a small staff, most of the members are required to do all forms of work. They not only wait on tables but they must mop floors and do other menial tasks on a rotating basis.

5. As for pay, all members of this staff receive a certain amount of overtime, all receive a year-end bonus, and it is estimated that each one consumes approximately \$500 worth of food per year. It is normal for people in the food-serving business to be provided meals during their working hours. This is considered a form of emolument and should be so considered in this Agency. We cannot

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find any grounds for recommendations on rate of pay for any of the staff.

6. In summary, it is a very nice facility, appears to be well attended, well managed, and is as financially solvent as the situation allows.

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ARCHITECTURAL DESIGN STAFF

1. This is a newly created unit for which approval is not yet firm but which is operating along the guidelines that have been proposed. Although the unit is new, this is an old and important function and has been in existence since before the headquarters building was occupied. This Staff maintains the basic floor plan layout for every useable square foot of the Langley headquarters building and of all other office buildings occupied by CIA in the Washington metropolitan area, except Building It is only the concept, the broadening of responsibility, and the chain of command that is new. Under the proposed procedures, this Staff will continue to maintain the floor plans but also will be required to:

- a. Provide technical guidance for development of requirements and planned utilization of all Agency space in the area and provide a design service for special projects.
- b. Prepare working drawings for building alterations, office moves, installation of phone systems, and to monitor these changes to completion.
- c. Maintain statistical data on current and projected space occupancy.
- d. Maintain a direct liaison with the Real

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Estate and Construction Division.

2. In the past, this Staff was a part of Space Maintenance and Facilities Branch, and the supervisor was furnished on loan from the Real Estate and Construction Division. The changes will place the Staff, as a separate unit, directly under the Chief, Logistics Services Division.

3. The space assigned is minimal but adequate. The assigned personnel seem to be competent and expressed pleasure in their work. The morale seemed to be good and we encountered no problems.

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BUILDING SERVICES BRANCH

1. The Building Services Branch is the "retail outlet" for all office supplies and equipment used by Agency personnel in the Washington area. The Branch has a T/O of [redacted] on duty. The staff consists of a chief, deputy chief, three employees

[redacted] in the [redacted] 25X1
[redacted] [redacted] a understrength). The

[redacted] is responsible for maintaining stock levels and for preparing requisitions for resupply. The [redacted] is responsible for filling the shelves and seeing that the material is on hand for self-service or across-the-counter service to the customers. The [redacted] consists of personnel who handle small furniture moves and provide other general labor-type assistance throughout the building, including the disposal of classified waste.

2. The Agency's concept of furnishing expendable office supplies was created about 1950. As far as we can determine, CIA pioneered the concept that employees could go to a central point and draw most items of expendable office supplies without paperwork or delay and that by such a procedure individual office stock levels and hoarding could be eliminated. Prior to this concept, each office and numerous sub-elements had its own requisitioning

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points, and it was common practice to order much more than was needed to ensure that it "never ran out." The concept was first tested in the I, J, K, L building complex and was a success. Later, smaller one-man rooms were established to perform on the same principle in other buildings. Finally, most of the smaller rooms became "self-service rooms."

3. Today, the main supply room is in headquarters building, and there are seven self-service satellite rooms. The satellite rooms are not manned; however, they are serviced by Building Services Branch in terms of resupply, cleanliness, and orderliness. One Building Services Branch employee makes a daily scheduled run to all rooms to inspect them, straighten up, and resupply the shelves. There is a weekly inspection by an employee at the supervisory level to ensure that the rooms are kept in good condition.

4. Building Services Branch requisitions the large majority of supplies directly from Government Services Administration on an average 26-day delivery cycle. [] is the backup supply point if there is a failure, delay, or non-stock situation. The Branch has a small petty cash fund which is used to acquire items of property not readily available from normal supply sources.

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5. The disposal of classified waste always has been a problem. When the headquarters building was built and occupied in 1961, []
[]

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6. An additional and very important responsibility of the Building Services Branch is that for all furniture and large non-expendable items that are used in the offices. Centralization of responsibility simplifies accounting and minimizes the time and effort required to inventory nonexpendable equipment issued to the Agency. It also provides a more accurate knowledge of equipment in use, not only in terms of protecting property but in maintaining property in use accounts and in controlling the resupply of standard-use items.

7. In addition to the approved T/O, the Building Services Branch draws a daily work force from Government Services Administration that averages about six men and is reimbursable. This is a much better

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tactic than adding to the Branch T/O, because it allows us to get only the number of men needed to handle fluctuating workloads. The Branch has two assigned vehicles for regular daily use. They draw on the motor pool for additional vehicle requirements on a drive-it-yourself basis.

8. Branch morale appears to be good. Its people are busy and seem to enjoy their work. The Branch Chief acknowledges that he receives an occasional complaint concerning the Branch's services, but a check we made with other offices indicates that the Branch is well regarded. The Branch could use additional storage space, but realizes it is unlikely to get it.

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TELEPHONE FACILITIES BRANCH

1. The Telephone Facilities Branch consists of a chief, a

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[REDACTED] As of a recent report,

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there were [REDACTED] black telephone instruments serviced by this facility in the metropolitan area. (Incidentally, the old "main" system located in South Building is now a satellite system, and the Langley Building is the principal exchange.) There are [REDACTED] red lines in use in the Langley Building, [REDACTED] green lines, and [REDACTED] gray lines (with [REDACTED] instruments installed). The last figure is from a 1967 report. The gray lines are totally separate from the main system and are serviced by the National Security Agency.

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2. The gray line system is a secure phone net primarily serving the "intelligence" community in Washington. The secure green line system serves the Agency headquarters area and, by means of tie trunks, connects with the Department of State, White House and Air Force secure voice systems, as well as the VOCOM and AUTOVON worldwide systems. The red line is simply an internal dial intercom system in the Langley headquarters.

3. The following figures are estimates based on briefing materials prepared in late 1967. Spot checking these with figures for March and April 1969 showed only slight variations. The total

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4. The Branch is also responsible for the procurement, installation and maintenance of all TWX machines, teletype circuits, and private and leased lines that are ordered and used overtly in the metropolitan area. Commencing with FY-1968, budgetary control for the majority of these facilities was transferred to the Office of Communications and the Office of Security.

5. The physical layout for this Branch was well planned when the new building was designed. It is an excellent facility which has room for expansion; the equipment is modern; its personnel are competent; and its leadership is good. The only change in the offing for this well established Branch is the possibility that the "cover phones" now managed and operated by Central Cover Staff will be changed over to the Telephone Facilities Branch for operation.

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MAIL AND COURIER BRANCH

1. The Mail and Courier Branch has a T/O of [redacted] (plus seven summer-only employees) on duty at the time of our inspection. The Branch is located in the headquarters building and operates 24 hours a day, 365 days a year. The T/O comprises [redacted]

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[redacted] However, the Branch has operated with an average of only [redacted] on duty over the past 12 months, which represents a shortage of seven.

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2. New employees are usually brought in as GS-4 courier trainees, progress to GS-5 journeymen couriers, and finally to staff couriers at GS-6. Staff couriers must be cleared for all top-level classified material, are trained in the use of firearms, and must qualify, and requalify every six months, on an approved target range. They do not normally carry weapons on the job, however.

3. The physical plant of the Mail and Courier Branch is conveniently located adjacent to the south loading dock (which serves a variety of other loading and transportation needs). The space is only marginally adequate and additional storage space for equipment and the large volume of bagged and boxed mail is the greatest need. The courier vehicles are standard sedans and trucks with

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make-shift security modifications to adapt them for the transportation of classified material. The constant and heavy workload appears to be well managed and morale is better than one would expect considering the grade level of the employees and the chronic problem of "no place to go" for those who reach the staff courier level.

4. This lack of career opportunity within the courier system, the youthful, and basically inexperienced, personnel it attracts who frequently tend to regard such employment as a convenient source of income while preparing for, or seeking, more satisfying and profitable careers, occasionally has generated concern over the security of the Agency classified documentation handled by the system. To our knowledge there have been no instances in the history of the Office of Logistics courier service involving the intentional diversion or theft of documents. This probably is due, in part, to the document control procedures developed and proven over the years, but we note that much attention is devoted by the management of the Branch to the indoctrination of new couriers in the responsibilities of their work and we observed in those couriers we interviewed good security motivation.

5. The major complaint, by the management of the Branch and its employees--and the one consistent adverse influence on Branch morale--concerned the disparity in top grades between couriers in the Office of Current Intelligence, who can aspire to GS-7, and

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those in the Office of Logistics, who are limited to GS-6. Inquiries by the team into the reasons for the difference disclosed that they are of doubtful validity at this time and raised again the subject of the necessity for, and the desirability of, the existence of multiple courier systems in this Agency.

6. This is a subject which has been studied on several occasions over the years. Most of the studies have been inconclusive, or resulted in no organizational changes, and at least one recommended against consolidation into a central system of the various courier services maintained by the Directorate for Plans, the National Photographic Interpretation Center, the Office of Current Intelligence, the Office of Logistics and the Directorate for Science and Technology. The last Inspector General's survey of Agency courier systems concentrated on the security of courier operations. The current survey did not study the subject in depth and so we are not prepared at this time to recommend that major alterations in, or consolidations of, the couriers services of the various Agency components either should, or should not, take place.

7. We do feel that the existence of multiple courier services causes aberrations in career motivation and planning, an absence of common procedures and regulations for the handling of classified documentation, and a variation in the quality of courier services available to the various components. We believe it is a subject

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that will recur as a matter for management attention.

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MOTOR POOL BRANCH

1. The Motor Pool Branch consists of the garage at [redacted] 25X1
where the Branch Chief's office is located, and the [redacted] 25X1
[redacted] which operates from the headquarters building.
The Branch has a T/O of [redacted] on duty. (The short- 25X1
age is alleviated for the summer by the use of six summer employees.)

2. [redacted]
[redacted] The drivers are assigned
as follows: [redacted] drivers operate the shuttle buses, [redacted] are 25X1
"assigned drivers," and [redacted] are on the night shifts. This leaves
[redacted] drivers to operate the "pool." However, the drive-it-yourself
principle is employed and cars may be assigned to qualified and
previously approved drivers who have proper drivers licenses. Of
the [redacted] assigned drivers, [redacted] are for the most senior Agency
officers. While they are carried on the Section's T/O they are,
understandably, outside the control and supervision of the Chief,

[redacted]

4. We have had the [redacted] garage for a number of years,

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and it has served us well. The facility needs refurbishing, but there is no purpose in spending any money on it because we are losing the lease in December 1969. As of 10 July 1969, a new garage had not been located.

5. There has been some discussion of the possibility of having Government Services Administration assume all or part of our Motor Pool function, either as a separate entity or by combining our vehicles and personnel into the Inter-Agency Motor Pool. The Government Services Administration might very well take over our shuttle bus runs and provide a completely satisfactory service for the Agency, but it is our considered opinion that we would never be satisfied with the service provided by the Government Services Administration or any other agency for the balance of our motor pool operation in terms of passenger car use, assigned vehicles, or vehicle maintenance.

6. The following statistics illustrate the Branch's workload. There are four bus routes that carry an average of 4,100 passengers a week within the Washington metropolitan area. (One point worthy of note is that bus No. 4 operating between headquarters and Glebe Road averages 1.5 passengers per trip. We would not propose discontinuance of the service, but consideration should be given to reducing the number of trips from one an hour to one every other hour.) The Branch maintains 94 vehicles assigned to the motor pool.

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for daily operation. In addition it also services and maintains 179 trucks, buses, and passenger vehicles assigned to other Agency elements in the Washington area. The "Blue Bird" buses average 3,600 miles a month. One security carryall is driven more than 6,000 miles a month. The bus and limousine drivers work more than 250 hours of overtime a month. This is necessitated by early morning and late afternoon runs necessary for "rush hour" passenger movement. This overtime is not unusually high, as it averages only about 11 hours per driver. The assigned drivers accumulate sizeable amounts of overtime, which is to be expected. The Deputy Director for Support states he has personally examined these figures and is satisfied that they are reasonable.

7. The Motor Pool Branch has few problems. The workload requires that the T/O be kept filled (and it is not). The Chief of the Branch reports that six drivers are scheduled for retirement in the near future and he is apprehensive that replacements will not be found in time.

8. We find morale generally good. The Branch is a low-salary component and suffers from a condition common to such units in that personnel cannot better themselves. The only specific complaint, voiced by several of the W-4 chauffeurs, was that they were paid at the salary level of a sedan driver but were used quite frequently to drive heavier equipment, such as the buses. They feel they

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should be paid at a rate commensurate with the type of equipment they operate. This situation may change in the near future. There are enough promotions in process to reduce to an absolute minimum the number of low-salaried drivers who will be required to drive the heavier equipment (and then only infrequently).

9. We suggested to the [redacted] chief that he consider using an area in Rosslyn where drivers terminating downtown runs may park for reasonable periods of time to await other calls. This would require only space for manned, radio-equipped cars. Thus, a driver dropping a passenger at New State, for example, could call in and then wait in Rosslyn for a few minutes to accept another assignment in the downtown area. The dispatcher could control this delay, and, if he wanted the vehicle back at Langley, he would need only to radio the driver to return. Under the present system, all drivers return immediately to Langley to be dispatched from there. The Section Chief assured us this step would be considered.

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SPACE MAINTENANCE AND FACILITIES BRANCH

1. The mission of this Branch is to provide for building maintenance, alterations, and housekeeping services to support the Agency's overt activities in the Washington area. This includes the operation and maintenance of the pneumatic tube system, conveyor system, and parking permits system. They schedule and manage classrooms and the use of the Agency auditorium. They are the coordinating point with the Public Building Services to effect alterations, repairs and maintenance of building and grounds and with the Government Services Incorporated and other food service activities supporting the Agency.

2. The staff consists of [redacted] of whom are necessary to maintain the tube and conveyor system. Also included in this total is the Architectural Design Staff which is in the process of being separated from this Branch. (Three positions at this time are carried on the Space Maintenance and Facilities Branch T/O. The Architectural Design Staff will consist of six positions and six employees are now on duty with this staff. At such times as a decision is made on this matter, proper adjustments will be made. However, we feel these arrangements are inconsequential to the survey, and we have treated the Architectural Design Staff as a separate subject.

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3. The relationship between the Space Maintenance and Facilities Branch and the Architectural Design Staff is a matter of one unit following up the efforts of the other. For example, if any Agency element is planning a move or modification of office space, its point of contact would be the Architectural Design Staff. All aspects of the planning would be done there. Space Maintenance would then arrange to have the physical action accomplished.

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4. The Branch Chief feels that his biggest problem in the managing of the [redacted] headquarters building is the lack of Public Building Services manpower to handle the workload we place upon them. For example, at the time we were interviewing the Branch Chief, he stated he had firm work orders for an estimated 650 hours of electrical work and the Public Building Services was able to produce only 32 man-hours a day. (The Public Building Services will not work overtime except under most unusual or emergency situations.) The Government Services Administration apparently is having trouble hiring several categories of employees.

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5. The [redacted] is responsible for the maintenance of the pneumatic tube and conveyor systems. The chief of the Section says the pneumatic tubes are generally well used and on the south side of the building are heavily used. In contrast, only one vertical conveyor, of the five available, is used at all and again this is in the Deputy Director for Plans area. The other

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four verticals and all the horizontal connecting mechanisms are totally unused.

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7. We feel a firm recommendation on this subject would be premature, but we suggest that the Chief, Logistics Services Division, consult with the Office of Security to determine if some means can be found to block off a number of these carrier openings. These rooms could then be used for storage or other purposes without the security hazard and extra work now imposed.

8. The Space Maintenance and Facilities Branch occupies minimal space. Morale seems good to excellent. It is a busy office, doing a good job with the resources available. One subject that has been raised on more than one occasion is that of whether our building management program could be turned over to the Government Services Administration in its entirety. It is our view that this would not be acceptable to CIA management, and we see no point in pursuing the subject.

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THE CONTRACTING PROCESS IN THE CENTRAL INTELLIGENCE AGENCY

General

1. By Headquarters Regulation [redacted] the Director of Logistics is responsible for the exercise of all the delegable authority of the Director of Central Intelligence as Agency head . . ." in the procurement of materiel and nonpersonal services. He is authorized to delegate these authorities as he deems appropriate. Therefore, by regulation, the Director of Logistics is the Agency's senior contracting official, responsible to the Director for the effectiveness, the integrity, and the professional standards observed in all Agency contracting activities. In their totality these involve the commitment of about [redacted] annually.

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2. The basic contracting authorities and responsibilities of the Director of Logistics were reaffirmed by the Executive Director-Comptroller on 26 April 1967. The survey team considered it appropriate to examine the manner in which those authorities were managed and how those responsibilities were fulfilled. Inevitably, our inquiries led to an analysis of the manner in which contracting activities are conducted in this Agency, how problems are identified, and how policy solutions are devised, promulgated, and implemented.

3. We note that the survey was conducted during a period of change in the Agency's contracting structure. In part, as a reaction

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to criticisms of the Agency's procurement systems contained in a report prepared by an independent management consultant firm in July 1966, a Contract Review Board which is advisory to the Director of Logistics had been created and just begun to function. Contracting teams had been created in three of the four directorates and communications had improved between technical officers, contracting officers, security officers and auditors. Insufficient time had elapsed to assess fully the benefits which could be expected to flow from these innovations, but it had become clear that, while they were significant, they had been accompanied by some loss in the effectiveness of the management of the procurement process.

4. In the discussions that follow, we examine the delegation of contracting authority in this Agency and the structure for the development and promulgation of contracting policy as we found it in the period February through June 1969. We will make certain recommendations for improving policy control and management over the contracting process. We have further comment on the Contract Review Board and on the independent contracting teams and the "womb-to-tomb" contracting philosophy they observe.

The Delegation of Contracting Authority

5. As noted above, the Director of Logistics' authorities and responsibilities in the field of contracting stem from [redacted] and the reaffirmation contained in a Deputy Director for Support

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memorandum of 28 March 1967 which was concurred in by the DDI, DDS&T, DDP and the IG and approved by the Executive Director-Comptroller.

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6. [redacted] allows no exception to the Director of Logistics' exercise of all delegable authority for the procurement of materiel and nonpersonal services by this Agency. However, the 28 March 1967 memorandum specifically limits his responsibility to "all contractual actions which are funded by Agency appropriations." The memorandum, therefore, excludes the Director of Logistics and, by association, the Contract Review Board, from any responsibility for that body of Agency contractual activities funded by the National Reconnaissance Office and managed by elements of the DDS&T.

7. The limitation on the Director of Logistics' role as the Agency's senior contracting officer does not end there, however. The original delegation of contracting authority to the contracting officer of the Office of Special Activities in September 1962, and all subsequent redelegations, specifically include contracting authority for the obligation of Agency-funded activities under OSA management. This exception was extended to the contractual activities of the Office of Special Projects when, in November 1965, the contracting officer of OSP was delegated the same authorities as those possessed by OSA.

8. Apparently for reasons of expediency and the controversy which at that time surrounded Agency-NRO relations, the Deputy Director for

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Science and Technology chose to have the Office of Special Projects contracting authority laterally delegated from the Office of Special Activities, rather than by direct delegation from the Director of Central Intelligence. The original redelegation from the Office of Special Activities was for the period 3 November 1965 to 1 April 1966. Subsequent extensions of this authority occurred on 30 March 1966, 17 June 1966, 10 November 1966, 2 February 1968, 2 January 1969, 24 February 1969 and 1 May 1969.

9. This technique for providing the Office of Special Projects with contracting authority by lateral delegation from the Office of Special Activities is questionable. Normally when contracting authority is redelegated, responsibility for the integrity of the contracting actions undertaken by the officer who receives such authority remains with the source of the delegation. Implicit in the authority to redelegate is the authority to terminate the delegation for cause. However, in the original redelegation by the Office of Special Activities contracting officer to the contracting officer for the Office of Special Projects, the Office of Special Activities was relieved of "all legal responsibility for those contracts under the management control of OSP." By this qualification, the chain of command for contracting responsibility probably was broken. We believe that for reasons of sound and orderly management, and to correct any possible question of the legitimacy of the lateral

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delegation by which the Office of Special Projects derives its contracting authority, it should receive its contracting authority by other means. We will make recommendations on this subject.

10. We appreciate the reasons which, in 1955, led to the decision to remove from the existing centralized procurement system run by the Director of Logistics the contracting authority for the U-2 development program and to create what was, in fact, the first of the Agency's independent contracting teams in what was then Project Aquatone. By permitting contract negotiation, administration, and settlement to be conducted by a single entity, it provided a degree of project compartmentation and security unobtainable in the Agency's normal contracting environment. The concept also provided for a degree of flexibility in Agency-contractor relationships in the research and development on major intelligence collection systems that successfully compressed the time from project initiation to initial operational capability.

11. The contracting environment in the Central Intelligence Agency has changed radically, however, since Mr. Richard Bissell first acquired the exceptional authorities which have become institutionalized in the intervening 15 years in the Offices of Special Activities and Special Projects. Then, there were no independent contracting teams, no "womb-to-tomb" contracting philosophy, no Directorate for Science and Technology, and no National Reconnaissance

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Office or Program.

12. In summary, our examination of the delegation of contracting authority in the Agency has led us to conclude that it is inconsistent. No single policy authority for contracting can be identified at this time. No single official bears the responsibility for effectiveness, efficiency, or integrity of Agency contracting activities. Such documentation as does exist relating to the delegation of such responsibilities does not reflect, nor has it reflected since 1955, the real situation in the Agency. We believe that the procedures for delegating contracting authority in the Agency now can be regularized without adversely affecting the Agency-contracting relationships so successfully pioneered by the Office of Special Activities and its predecessor organizations.

Recommendation No. 11

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That the Deputy Director for Support prepare and submit to the Director of Central Intelligence for approval recommendations designed to accomplish:

- a. The reaffirmation of the policy established in [] delegating procurement authority to the Director of Logistics and authorizing him to redelegate that authority.
- b. The rescission of all other existing extraordinary delegations and redelegations of procurement authority.
- c. The redelegation of contracting authority by the Director of Logistics to the heads of the various independent contracting teams.

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d. The establishment of procedures whereby all contracting activities obligating funds budgeted by the Agency would be subject to policy and procedural review by the Director of Logistics or his agents.

13. We believe that these recommendations, if implemented, will serve to reestablish what we believe has been the intent of senior management in this Agency: the clear identification of authority and responsibility for Agency procurement activities. Further, it should be noted that the prevailing contractual working relationship with the National Reconnaissance Office is not disturbed by this arrangement. The delegation of contracting authority still stems from the Director of Central Intelligence by redelegation by the Director of Logistics, but the Director of Logistics as the Agency senior contracting officer hereby assumes responsibility for assuring that those contracting activities undertaken on behalf of the National Reconnaissance Office are consistent with Agency contracting policies. The Agency Contracting Officer, though not involved in the considerations and decisions relating to NRO contracting would, however, be in a position to provide an independent review of the procedural aspects of the activity on behalf of the Director of Central Intelligence.

The Development and Promulgation of Procurement Policy

14. The Director of Logistics, by delegation, is the titular authority and senior policy official for contracting in the Central

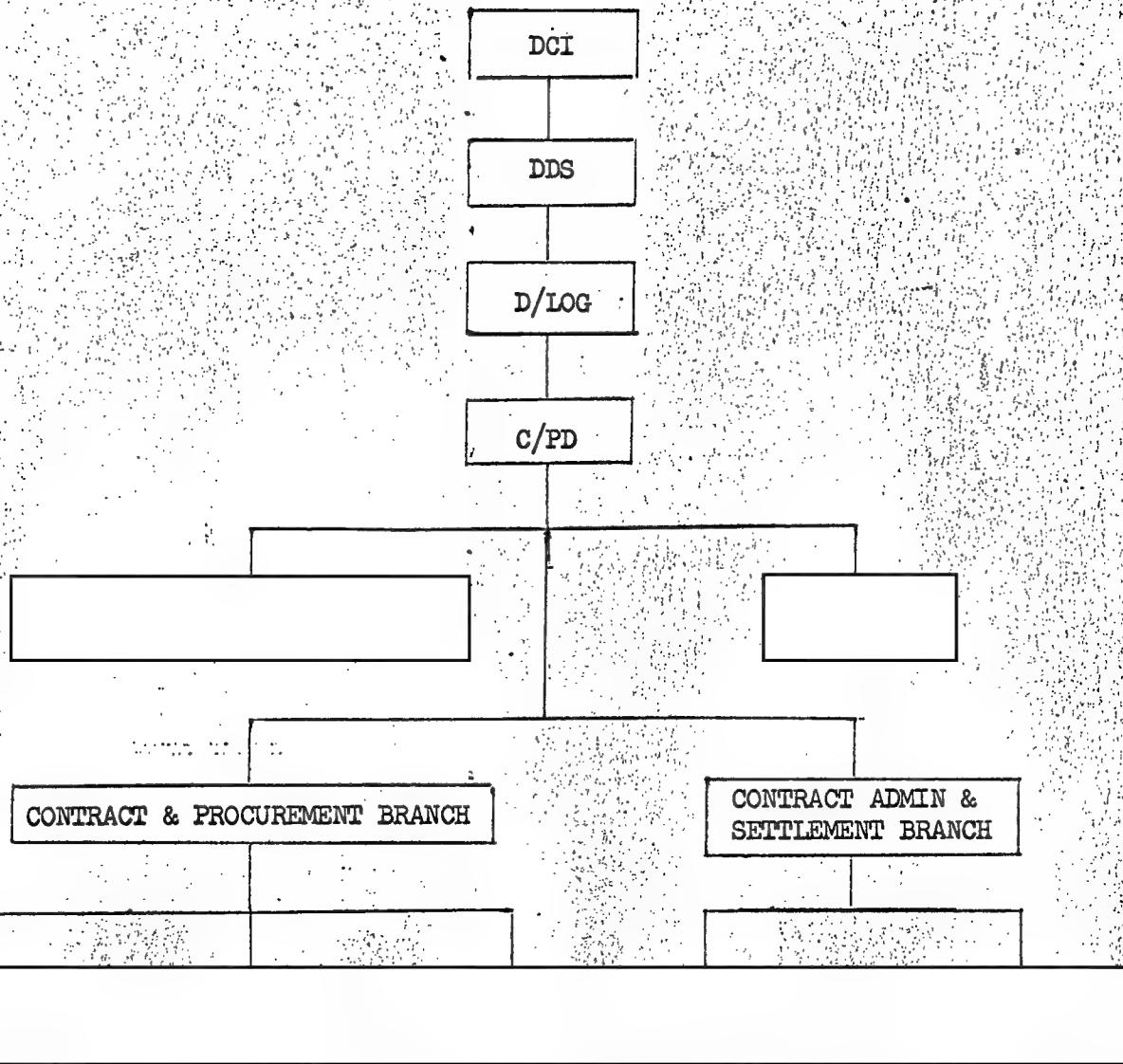
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Intelligence Agency. Prior to March 1967, he had redelegated to the Chief, Procurement Division, most of the duties and responsibilities associated with the contracting aspects of his position. The Chief of the Procurement Division recruited, trained, and assigned professional contracting officers; established basic contracting policies; reviewed their implementation through the Procurement Evaluation Committee and his personal involvement in major contractual relationships; promulgated procurement policy; delegated limited contracting officer authorities; negotiated, administered, and settled contracts obligating Agency funds through the activities of the Procurement Division components which he managed; and maintained the various contractual records and files required by the activity. The result was a tightly structured, highly personalized operation which, while it functioned under the general surveillance and authority of the Director of Logistics, typified the strengths and weaknesses characteristic of such a managerial concept. The organization for contracting policy in the pre-1967 period is diagrammed on page 77.

15. In March, 1967, basic decisions were reached which were to alter the manner in which contracting activities are conducted in this Agency. At that time, approval was received for the creation of "contracting teams" in each directorate consisting of a senior contracting officer, as its head, together with Office of Security and Industrial Contract Audit Division representation. Two years

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PRE-1967 CHAIN OF COMMAND FOR POLICY ON CIA FUNDED CONTRACTS



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later, at the time of this survey, three of the four proposed contracting teams had been formed; the Deputy Director of Logistics had assumed control of the contracting process and its policy formulations; the Procurement Division had declined in strength from [redacted] positions; the Procurement Evaluation Committee had ceased to function; a Contract Review Board advisory to the Director of Logistics had been created and was functioning; a monthly Procurement Officers' meeting under the chairmanship of the Deputy Director of Logistics had begun meeting informally in late 1968 and by January 1969 had achieved formal status; and, except for the contractual activities of Procurement Division, all contracting in the Agency was being administered and settled by the teams or individuals who negotiated them.

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16. The result was that, at the time of our survey, the Deputy Director of Logistics had largely supplanted the Chief, Procurement Division, as the responsible official for contracting in the Agency. In addition to his other duties, the Deputy Director convened and chaired a Procurement Officers' meeting once a month, was available to the Chairman of the Contract Review Board for consultation on the agenda and findings of that body, wrote and had produced contracting policy directives in the Procurement Notes series, reviewed the appointments of contracting personnel, and otherwise generally functioned in the policy role previously (pre-1967) reserved for the Chief of the Procurement Division.

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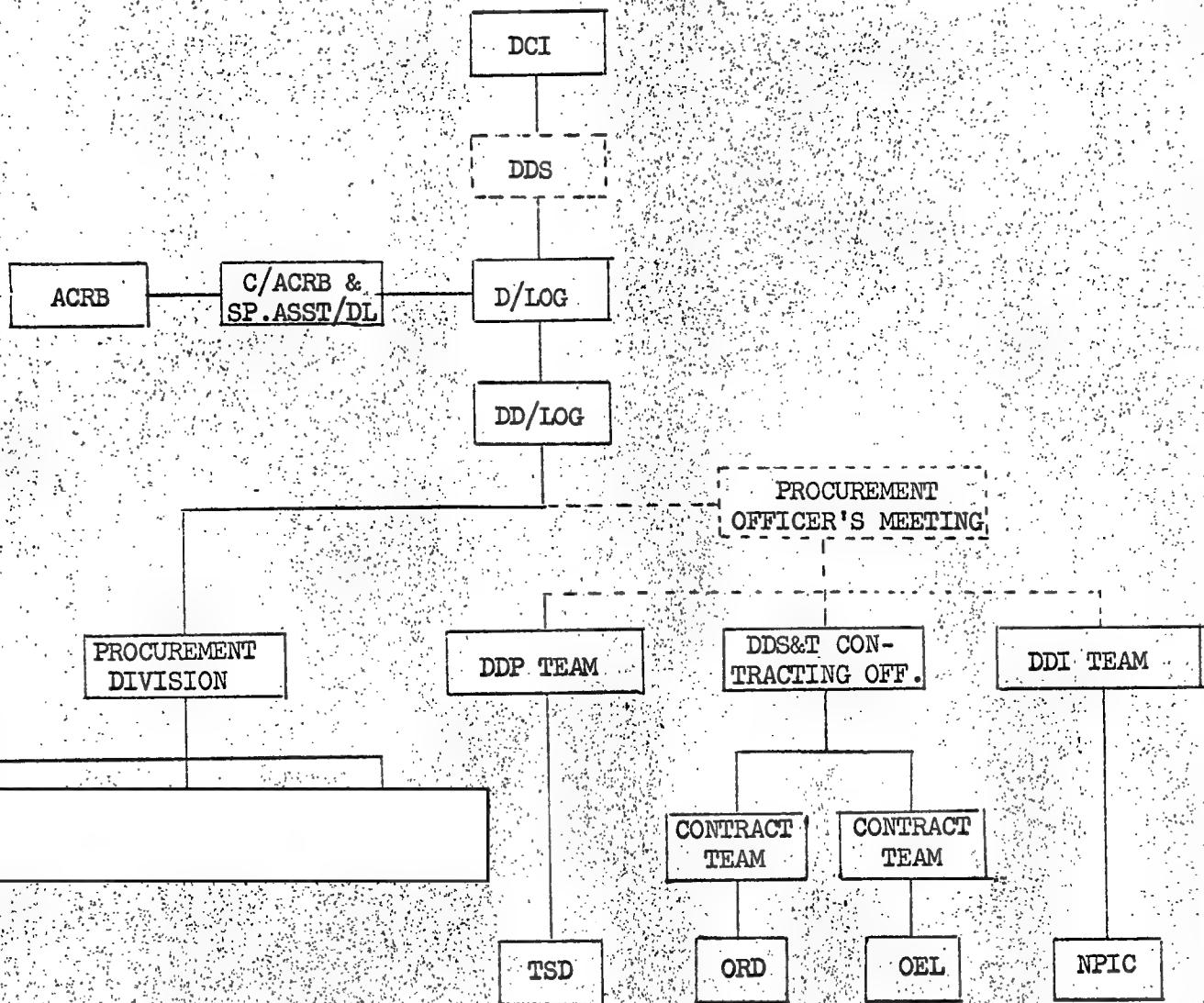
17. This alteration in the focus of contracting policy responsibility was the outgrowth of decisions made in March 1967, and previously referred to, which created independent contracting teams for the various directorates and established the Contract Review Board. These teams, responsive as they are to the contracting requirements of the directorates but receiving contracting policy guidance from the Office of Logistics, required a contact for the resolution of potential problems at a sufficiently high command level to be meaningful. There is no question but that the function could have been served by the Chief of the Procurement Division, providing he had adequate entré to the senior echelons of the Directorate for Support. The decision was, however, to place the responsibility for the implementation of policy where the authority lay, and with that decision we have no argument.

18. However, this decision was made in the absence of consciously devised organization for the management of a decentralized contracting organization. We sought, and failed to find, a clear conception of the organizational and policy structure for contracting toward which command decisions were leading. The situation as we reconstructed it in June 1969 is displayed graphically in a diagram on page 30. It will be noted that solid lines of contracting policy authority lead from the Deputy Director of logistics to the Procurement Division. This is a command relationship. Dotted lines lead

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PRESENT CHAIN OF COMMAND FOR POLICY ON CIA FUNDED CONTRACTS



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through the Procurement Officers' meeting to the independent contracting teams of the Directorate. This is an informational/advisory relationship. We believe it represents inadequate policy control over the obligation of about [redacted] in Agency funds annually. In the absence of an effective contract information system which could be employed to reflect the manner and success with which contracting in this Agency is being performed, this advisory relationship places undue responsibility on the heads of the independent contracting teams for advising the Deputy Director of Logistics of their failures, their problems, and their successes.

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19. Furthermore, the reorientation of the focus for contracting policy from the Chief of the Procurement Division to the Deputy Director of Logistics was not accomplished with appropriate provision for staff assistance in the fulfillment of that role. As the Deputy Director of Logistics' involvement grew, so did his investment in time devoted to contracting matters, and during the course of our survey a conflict appeared to be developing between the demands of the contractual policy job and his command responsibilities within the Office of Logistics. It appears to us that he has sought to resolve the conflict by enlisting the support of the only source of information on contracting activities, other than the Procurement Division, available to him: the Chairman of the Contract Review Board. To him he delegated a variety of staff

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operations ranging from coordination of requests for the training of procurement officers and monthly visits to the independent contracting teams to identify emergent contracting problems, to functioning in the role of secretary for monthly meetings of procurement officers. In March 1969, the Chairman of the Contract Review Board was appointed Special Assistant to the Director of Logistics, a title which he uses when engaged in activities falling outside the purview of the Contract Review Board.

20. We do not feel that the utilization of the Chairman of the Contract Review Board in a staff role to the Director or Deputy Director of Logistics is either advisable or desirable. The Contract Review Board, if it is to function effectively as a critic of command decisions and policies, must disassociate itself from command activities and controls. Furthermore, we believe that staff support of the Agency Contracting Officer, or his deputy, will eventually become a full-time job, and that the requirements of the Contract Review Board for staff assistance should not be in competition with it.

21. To summarize then, we doubt that the Deputy Director of Logistics, without adequate staff support, can much longer continue to fulfill the contracting policy and command role formerly provided by the Chief of the Procurement Division. We do not believe that the Chairman of the Contract Review Board or the staff of that Board

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should be tasked to provide direct support to command echelons. We believe that the vacuum created by the disengagement of the Chief of the Procurement Division from the contracting policy role can best be filled by creating a new command position entitled the Assistant Deputy Director of Logistics for Contracting. While we have not analyzed the totality of the responsibilities of such a position, we believe it should encompass the following:

- a. Administration and support [redacted]
- [redacted]
- b. Further development, operation and improvement of the Logistics contract information system (CONIF).
- c. Cognizance of the contracting activities of the independent contracting teams.
- d. Management of the monthly Procurement Officers' meetings.
- e. Provision of contracting data and information upon request to the Contract Review Board.
- f. Provision of staff support to the Director and Deputy Director of Logistics on contracting matters requiring their attention and/or decision.
- g. Identification and analysis of contracting policy problems and the preparation, coordination

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and promulgation of relevant policy directives
(Procurement Notes, memos, etc.).

h. Management of procurement officer assignments; selection, training, promotion and other aspects of a viable career service.

i. Provision of such services of common concern to Agency contracting elements and activities as are necessary and desirable.

22. The diagram on page 85, entitled "Recommended Chain of Command for Policy on CIA Funded Contracts" shows the new position of Assistant Deputy Director of Logistics, the data link to the Contract Review Board, and the new subordination [redacted]

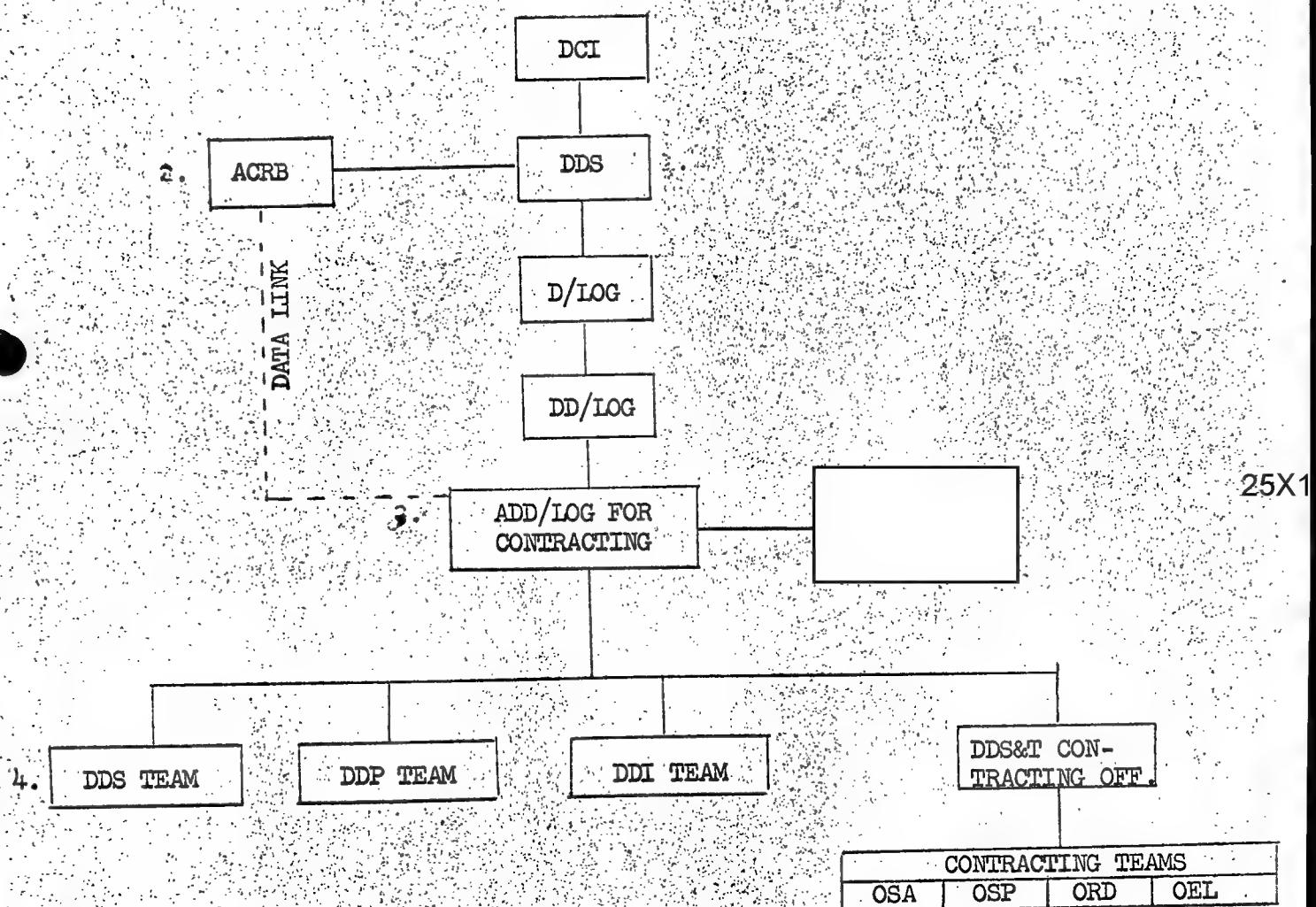
25X

[redacted] Other aspects of the diagram will be discussed in other sections of this report, but it should be noted here that the Assistant Deputy Director of Logistics is shown to have direct responsibilities for contracting policy with the various directorate contracting teams and not, as is now the case for the relationship of those teams with the Deputy Director of Logistics, an informational or advisory one. Under the recommended concept, the contracting teams would look to the Assistant Deputy Director of Logistics for contracting policy and career guidance and would be required to provide him with relevant data and advice in the performance of his duties. We will recommend later in this report that the Assistant Deputy Director of Logistics also be responsible for

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RECOMMENDED CHAIN OF COMMAND FOR POLICY ON CIA FUNDED CONTRACTS



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the Fitness Reports of the chief of the independent contracting teams and that he function as the reviewing official for other team members of the Logistics career service.

Recommendation No. 12

That the Director of Logistics:

- a. Relieve the Chairman of the Contract Review Board of his responsibilities as Special Assistant to the Director of Logistics.
- b. Establish the new line position of Assistant Deputy Director of Logistics for Contracting and assign to the officer occupying the position responsibilities essentially as enumerated in paragraph 21, above.

The Role of the Procurement Officers' Meetings

23. The Procurement Officers' meetings were formally instituted in January 1969 as a "forum for the free exchange of information and ideas on procurement matters." They are scheduled for the first Monday of each month, are chaired by the Deputy Director of Logistics, and are attended by: the Chairman and Executive Secretary of the Contract Review Board; the Chief of the Procurement Division; the heads of the various contracting teams in DDP, DN&T, and DDI; legal and security staff advisors; the special Assistant to the Director of Logistics; and a member of the Office of Logistics Planning Staff. Formal agenda are prepared and disseminated to participants in advance of meetings, and minutes are published.

24. The Procurement Officers' Meeting plays an important and

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necessary role in the present decentralized (independent) contracting environment of the Agency. It represents the only regularly scheduled opportunity for senior contracting personnel to identify and discuss cases and procedures of a potentially troublesome nature, to report successful innovations or experiments, to receive reports on contractual problems of interest to senior Agency management, and to obtain advance information and periodic reports on major procurement studies and the activities of the Contract Review Board.

25. We are enthusiastic about these monthly forums. The records of the meetings indicate that the discussions increasingly have involved matters of substance and importance as experience has been acquired in the management of this technique. We believe that these meetings should continue to be a regular feature of the Agency's contracting environment and that they should continue to be chaired by the Deputy Director or Director of Logistics.

26. However, we note that responsibility for the preparation of Procurement Officers' Meeting agenda and minutes recently was transferred from the staff of the Office of Logistics to the Chairman of the Contract Review Board in his new capacity as Special Assistant to the Director of Logistics. We have commented on the propriety of this dual role in a previous section of this report and have recommended that it be rescinded. Our reasons for recommending that the limited staff support available to the Agency Contract

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Review Board not be tasked for non-Board activities, regardless of their importance, apply with equal force to this new development.

27. As noted above, the membership of the Procurement Officers' Meetings does not include the contracting officers of the Office of Special Activities and the Office of Special Projects, DDSMT. This has been the result of a conscious policy of the Director of Logistics that those contracting activities that obligate funds of the National Reconnaissance Office and those that obligate Agency funds shall be separated. So well has that intent been implemented that at the time of our survey the OSA and OSP contracting teams had been virtually isolated from the rest of the Agency's contracting community. Their absence from the Procurement Officers' Monthly Meetings is a case in point. They did not attend, because they had not been invited.

28. We believe that the complete separation, in a policy sense, of the National Reconnaissance Office and Agency contracting is potentially dangerous. In the final analysis, it is the Director of Central Intelligence who is legally accountable for the consequences of these activities, and the principles underlying good, efficient, and professional contracting practice are the same whether National Reconnaissance Office or Agency-funded obligations are involved. We believe that a professional forum for the discussion of contracting practices and experiences, such as is provided by the Procurement

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Officers' Monthly Meetings, is an ideal method of achieving a community of common contracting methods and that the Office of Special Activities and the Office of Special Projects contracting officers should participate in it.

Recommendation No. 13

That the Director of Logistics extend an invitation to the contracting officers of the Offices of Special Activities and of Special Projects to attend and participate in the Procurement Officers' Monthly Meetings.

The Role of the Procurement Division

29. We have previously alluded to the fact that the duties and responsibilities of the Chief, Procurement Division, have diminished in the past two years. From a position of virtual supremacy over Agency-funded contracting activities, he had, by the time of this survey, been reduced to the role of spectator for contracting other than that conducted on behalf of the Directorate for Support. In addition, the Procurement Division had lost substantially in both personnel and contracting business to the newly organized independent contracting teams of the various directorates. For example, in 1966 the contracting activities of the Procurement Division obligated, as an Agency service of common concern, funds totaling [redacted]

25X1

X1 In 1969 it obligated [redacted] (which includes about [redacted]) 25X1
X1 obligated by the [redacted]. In 1965 the personnel ceiling of the Division was [redacted] in April 1969 it was [redacted] (nine) 25X1

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of the 28 slot losses in these years arose from reductions in the Offices of Logistics personnel ceiling).

30. In 1966 the duties and responsibilities of the Chief of the Procurement Division included management of the career assignments, training, recruitment, and promotions of all procurement officer personnel employed in the Agency. He chaired a Procurement Evaluation Committee which met twice weekly to review and approve negotiations involved in new base contracts, to determine the method of procurement for actions obligating Agency funds in excess of \$50 thousand, to advise and recommend procurement actions in those situations involving potential problems of a legal or contractual character, and to review all procurement proposals obligating confidential (unvouchered) funds. He also personally handled particularly significant or difficult negotiations.

31. The erosion of his duties and responsibilities, referred to above, is exemplified, in part, by the following consequences which flowed from the creation of the independent contracting teams and the command decisions that accompanied their establishment:

a. The Procurement Evaluation Committee was abolished coincident with the creation of the Contract Review Board.

b. The Chief, Procurement Division, was denied access to the findings of the Contract

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Review Board, except when such findings involve contracts under the jurisdiction of Procurement Division.

c. Monthly contract activity reports began to flow to the Chairman, Contract Review Board, rather than Chief, Procurement Division, and a number of statistical reports were rerouted to the host directorates of the contracting teams.

d. A central file of contract folders was abolished in favor of separate, decentralized files maintained by the contracting teams.

e. Contract folders were to be retired by the independent contracting teams, rather than by the Procurement Division, and access to them limited to the host office or directorate of the contracting team and to the Director of Logistics or his designee.

f. Requests for the training of procurement officers were rerouted from Chief, Procurement Division, to Chairman, Contract Review Board.

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32. We do not necessarily disagree with any of these developments. It is clear, however, that any hopes that Procurement Division personnel may hold for a return to the "centralized" concept of procurement and a restoration of the broad authorities formerly held by the Chief, Procurement Division, are unrealistic. We believe that the future of the Procurement Division will approximate that of an independent contracting team for the Directorate for Support and that a decision to that effect should be faced at an early date. Such a decision, and its implementation, also would have the advantage of consistently structuring the Agency's organization for contracting and would create at least one independent contracting team for each of the four directorates.

33. In the diagram on page 33 entitled "Recommended Chain of Command for Policy on CIA Funded Contract," we have shown the Directorate for Support contracting team referred to above. We believe that it should consist of the [redacted] and the research and development contracting activities of the present Procurement Division together with security and audit personnel as experience dictates are required.

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X1 34. [redacted] is obligating about [redacted] 25X1

X1 [redacted] annually, primarily on behalf of the Office of Communications, and might well be attached to that office for administrative purposes. The arrangement would be comparable to that in the Directorate for Plans. The contracting team there is co-located with its major customer, the Technical Services Division, though it performs a service of common concern for the Directorate.

35. We believe that a new "Purchasing Division" could be created within the Office of Logistics from the [redacted] 25X1

X1 [redacted] the Covert Procurement Branch and the Registry and Document Control Branch of the present Procurement Division. To X1 these we would add the [redacted] presently administered by Supply Division, but would recommend that it continue to X1 operate from the [redacted] purposes and that X1 it be renamed the [redacted]. We have diagrammed X1 the new organization on page 93.

36. Responsibility for the management of a Procurement Officers' career service, including the very important job of recruiting and training a new generation of professional procurement specialists, should be assigned to the new Assistant Deputy Director of Logistics for Contracting.

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X1
Recommendation No. 14

That the Deputy Director for Support:

- a. Create a Directorate for Support contracting team consisting of personnel drawn from the [redacted] and the research and development contracting activities of the Procurement Division and augmented by appropriate security and audit advisors.
- b. Consider attaching the Directorate for Support contracting team to the Office of Communications.

X1
Recommendation No. 15

X1
X1
That the Director of Logistics:

- a. Abolish the Procurement Division of the Office of Logistics.
- b. Establish in its stead a Purchasing Division composed of the [redacted] [redacted] the Registry and Document Control Branch, the [redacted] and the [redacted] of Supply Division.

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The Independent Contracting Teams

37. Decentralized contracting in the Central Intelligence Agency has worked in large measure because of the availability of trained, competent, and experienced contracting officers with enough seniority to assume responsibility for the effectiveness and integrity of virtually independent contracting activities. We examined these

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NEW PURCHASING DIVISION¹:

OFFICE OF THE CHIEF

GENERAL
PURCHASING BRANCH

REGISTRY & DOCUMENT
CONTROL BRANCH

25X1

3.

25X1

1. Formerly designated "Procurement Division"
2. Formerly subordinate to Supply Division as [redacted]
3. Formerly titled "[redacted]"

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teams, their personnel and methods of operation, in some depth during this survey and, without exception, we were impressed with the capabilities and the knowledgeability of their leadership and their staffs.

38. These officers are the product of a highly centralized contracting activity. In the past there existed, in fact if not in name, a Procurement Officers' career service which was run by the Chief of the Procurement Division. Recruitment, training, and assignment of Procurement Division personnel was at the recommendation of the Division Chief, and the Division comprised an effective training ground for the embryonic negotiator. There existed, therefore, the essential element for successful career management of specialists: a senior officer knowledgeable of technical requirements and responsible for the development of a training ground for cadre officers. With the creation of the independent contracting teams, their physical isolation, and the reduction in size, scope and responsibility of the Procurement Division, some of the aspects of a viable career service have disappeared.

39. We feel it is important to the future of the decentralized contracting process in this Agency and to the officers that participate in it that the features of a Procurement Officers' career service be preserved. One senior officer should be respon-

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sible for the selection of qualified candidates, their training, their assignment, and their evaluation as procurement officers. We feel that this activity cannot be effectively performed for long personally by the Director or Deputy Director of Logistics. Too many activities and problems compete for their attention and interest. We also believe that the role no longer can be fulfilled by the position of Chief, Procurement Division. Accordingly, we have recommended elsewhere that, in addition to his other duties, the new Assistant Director of Logistics for Contracting be assigned responsibility for managing procurement personnel careers.

40. Further to the subject of the management of contracting officer careers, we found that the fitness reports of the heads of the independent contracting teams are being written by personnel of the office or directorate to which they are attached. Two examples will illustrate the situation. The fitness report of the head of the Directorate for Plans contracting team is prepared by the Chief of Support, Technical Services Division, and is reviewed by the Chief, Technical Services Division. For the other members of the contracting team, the fitness report is prepared by the team head and reviewed by the Chief of Support.

41. In the case of Directorate for Science and Technology contracting personnel, a similar situation exists. The Director of ELINT and the Director of Research and Development write the fitness

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reports of their respective contracting team heads. They are then reviewed by the Senior Contracting Officer for DDCI-MT (a Logistics careerist). For all other team members, the reports are prepared by the team head and reviewed by the office director concerned.

42. The point we wish to make is that in our judgment an important aspect of managerial control over Agency contracting practices is being lost by this technique. The fitness report is a powerful tool in the hands of management, and the employee tends to equate the preparing and reviewing officials with the sources of policy and command. In the case of contracting officers, they should be rated more on how effectively they are carrying out Agency contracting policy than on how well they are serving the demands made upon them by their host organization. To assign responsibility for their fitness reports to personnel of the office they are contracting for, seems to us to distort the system of checks and balances which should exist in a process which obligates the amount of money involved in Agency contracting activities. We would have no difficulty with a procedure whereby the host office prepared a memorandum for the Director of Logistics, or his agent, commenting on how well a given contracting officer had served the requirements of that office, but we feel strongly that the fitness report of the contracting team head should be prepared by the Office of Logistics to assure that adequate weight is given to the officer's implementation of con-

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tracting policy in this Agency, even where such policy may be in conflict with the temporary desires of the host office.

Recommendation No. 16

That the Deputy Director for Support:

a. Negotiate with the other Deputy Directors an agreement that (1) fitness reports of the heads of the independent contracting teams will be prepared in the Office of the Director of Logistics and (2) that fitness reports of other Logistics officers assigned to the independent contracting teams will be reviewed in the Office of the Director of Logistics.

b. Designate the Assistant Deputy Director of Logistics for Contracting as the officer responsible (1) for preparing fitness reports on the heads of the independent contracting teams for review by the Director of Logistics and (2) for reviewing fitness reports on Logistics subordinates prepared by the heads of the independent contracting teams.

43. Classical contracting doctrine divides the activity into three definable phases: negotiation, administration and settlement. In the pre-1967 period under the direction of the Chief, Procurement Division, contracting activities were compartmented functionally and organizationally. Negotiators negotiated, administrators administrated, and settlement specialists settled. New officers who were destined for a career in procurement were assigned tours of duty in each of the specialized components until they acquired sufficient experience to assume the responsibilities of a negotiator.

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44. In the independent contracting teams the individual phases of contracting, while still definable, are merged into a continuing process performed, ideally, by a single procurement specialist for each contractual instrument or relationship. This is the so-called "womb-to-tomb" philosophy whereby a single officer negotiates, administers, and settles a given contract. In the course of our survey we did not find a single contracting specialist experienced in both philosophies who, of his own choice, would return to compartmented practices in contracting.

45. At the time of our survey, inadequate experience with the "womb-to-tomb" philosophy had been acquired to accurately assess it. Our general impression was that the independent contracting teams were functioning effectively, communications between technical and contracting officers had improved markedly and had benefited both parties and the Agency, and the support to the team provided by industrial audit and security specialists had become better focused and more timely.

46. We could not assess how well negotiation and administration was being performed by the contracting teams without a very detailed and lengthy investigation, which time did not permit us to conduct. We are satisfied that negotiation is keeping pace with the needs of the technical offices, but we have no basis for judging how well the interests of the Agency are being protected in such matters as source

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selection, incentive and award fees, pricing policies, etc. However, a large body of regulations and doctrine refer to these and related matters; a pre- and post-negotiation reviewing procedure for major contracts was functioning; the contracting personnel were well trained and experienced in their profession; and senior management generally was cognizant of the potential risk areas and problems. We found no basis for serious concern with the state of the negotiation phase of contracting.

47. The administrative phase of the contracting activity encounters perennial problems with overruns, underruns, changes of scope, etc., and we encountered a number of contracts which manifested such problems. In each case, however, they were identified to us by concerned senior officials who were addressing themselves to solutions. Again, we did not undertake a serious study of the origin of the problems or their avoidance. In the absence of an Agency-wide Contract Information System, a detailed evaluation of contract administration would have been prohibitive in terms of both time and manpower.

48. We examined the state of settlement in some depth. At the time of our survey, approximately 2,000 contracts had entered the settlement phase which, by definition, commences when the product (equipment or report) has been delivered by the contractor and accepted by the customer component with a formal inspection report. Thereafter,

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the contractor must close his accounts for the fiscal year (or years) during which the contract was active and subject them to a company audit. Overhead rates for that contractor for that fiscal year must be audited (usually by the Defense Contract Audit Agency) and negotiated with the contractor. The negotiated overhead rates must be reviewed by the Industrial Contracts Audit Division for compatibility with the Agency contract, and a memorandum must be prepared by the Industrial Contracts Audit Division to the settlement component recommending the applicable rate for the Agency contract.

49. In the normal routine, no settlement action can be initiated by the Agency until the foregoing steps have been completed. Thereafter, the settlement officer amends the contract to reflect the negotiated overhead rate and sends it to the contractor who prepares a final claim and reconciliation statement. The Industrial Contracts Audit Division conducts its final audit, the contractor submits a release or a negotiation reconciles the contractor's final claims and the Agency's obligation. A release is sent to the Office of Finance authorizing final payment on the contract, payment is made and the Office of Finance sends a closing statement to the Industrial Contracts Audit Division and other interested parties.

50. The point which should be noted is that, until the contractor's final overhead rate for the fiscal year of interest is acquired, little

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settlement action can be accomplished by the Agency. In the majority of the outstanding settlement cases, the final overhead rate is established by Defense Contract Audit Agency. The Agency is a passive party. This fact accounts, in large measure, for the average lapse of two to three years between contract completion and final settlement.

51. Little can be done to improve the rapidity with which final overhead rates are acquired. We examined various possible solutions, including tasking of Industrial Contracts Audit Division to conduct final overhead audits for all Agency contracts and the increased use of the "interim settlement" technique. Both procedures have attractive features and should be, and are, employed in specific cases. However, neither appear to be practical for general adoption.

52. The facts have led us to conclude that while some small percentage of contracts could be expeditiously settled and removed from the list of 2,000 cases with a concerted effort by all concerned, the improvement would not be dramatic and it would not be enduring. There is a natural level that the ratio of contracts negotiated to contracts in settlement seems to seek, and we are inclined to agree with Chief, Procurement Division, that, so long as contracts are being settled at about the same rate as they are being negotiated, there is not much cause for concern.

53. We are aware, however, that settlement, in the context of

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the contracting process, always has been a stepchild. The glamorous activity is negotiation. Settlement involves "burying the dead", and we are convinced that it will be conducted efficiently only in a strong and effective managerial environment.

54. In the course of our analysis we did identify a small number of cases which were overdue for settlement (all steps up to the contractor's release had been accomplished) and which had not been acted upon. In two of them money was due the Agency. Further investigation almost certainly would have surfaced others, though the total number probably would have been small. We note in this connection that there is no continuing program for analysis of outstanding settlement cases. We feel such analyses are a function of management and should be performed routinely and on a regular schedule.

Recommendation No. 17

That the Director of Logistics assign to the Assistant Deputy Director of Logistics for Contracting responsibility for the analysis of outstanding contracts in settlement with a view toward identifying instances of undue delay and finding ways to hasten settlement.

55. At several points in the survey we examined the feasibility and desirability of removing settlement from the independent contracting teams and concentrating it with a small number of career settlement specialists in the Procurement Division or its successor.

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The advantages, we felt, would be to create a focal point for contracting information, which would serve as a check on the negotiation and administrative practices of the contracting teams and reduce to a practical minimum the number of Agency representatives with whom a single contractor had to deal after overhead rates for a given fiscal year had been acquired. Such a unit would function as a service of common concern in the orderly retirement of contract records and the maintenance of records on government-furnished property in the hands of contractors.

56. While we still believe the concept has some merit, we also are convinced that virtually the same results can be achieved by improving the management of the contracting process in the present decentralized contracting environment in the Agency. A number of our recommendations have been directed to that end, particularly those related to the establishment of the position of Assistant Deputy Director of Logistics for Contracting and to the missions and functions of that position. Furthermore, recent directives from the Director of Logistics have addressed the subject of the retirement of contract files and the method to be employed in accounting for, disposing of, and storing government-furnished property. If the position of Assistant Deputy Director of Logistics for Contracting (or a position with comparable authorities and responsibilities for the management of Agency contracting processes) should not be estab-

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lished, we feel that settlement should be removed from the contracting teams and centralized as a service of common concern in the Office of Logistics.

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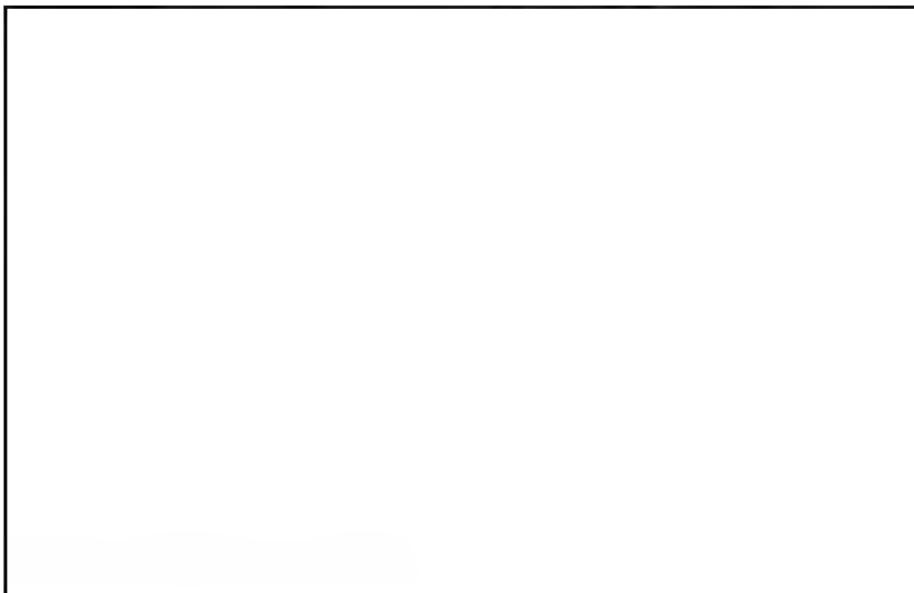
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Contract Information Systems

65. In our efforts to understand how well a decentralized contracting program could be managed by a senior contracting officer, we examined the sources of information on the contracting activities of the independent contracting teams that potentially were available to the Director of Logistics. There appear to be three such sources of a fairly formal character: the Contract Review Board for information on research and development contracts obligating more than \$150 thousand, the Procurement Officers' Monthly Meetings, and the contract information systems managed by the Directorate for Science and Technology (called ACORI) and the Office of Logistics (called CONIF). We discuss the Contract Review Board and the Procurement Officers' Monthly Meetings elsewhere in this survey.

66. For the contract information systems, we examined the

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use made of them by the Director of Logistics, as the Agency's Senior Contracting Officer; the character and format of the reports routinely generated by the systems; the nature of the data bases; and the accessibility and flexibility of access to the data bases. Our inquiries were directed solely at determining whether or not a reasonably effective system existed which would permit the Director of Logistics to know the status of contracting programs and activities in the Agency on a reasonably current basis and which would generate routinely a series of management-oriented reports for his consideration and action. The situation, as we found it, is discouraging.

67. From a management standpoint, certain features of the Directorate for Science and Technology's pioneering ACORN project made it superior to that of the Office of Logistics' CONIF. Outstanding were the superior computer programs it enjoyed. This project is program- or project-oriented with a substantial number of financial and budgetary elements in its data base. To the extent that its data base permits, the ACORN system can be responsive to questions raised by management levels--its programs permitting essentially selective access to the data base and a reasonably well tailored product format. At the time of our inquiries, the ACORN system had been joined by the Technical Services Division, the Office of Communications, and the National Photographic Intelligence Center, as well as the Office of ELINT, Office of Research

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and Development, Office of Special Projects and Office of Special Activities.

68. The ACORN system generates 13 formatted routine reports which are selectively disseminated to 20 customers. The Director of Logistics and the Deputy Director for Support are not customers of the ACORN system, nor is the Chairman of the Contract Review Board.

69. CONIF, on the other hand, is an information system which basically is contract and contract officer oriented. It generates 13 reports, the majority of which are produced quarterly or semi-annually, and utilizes a data base comprising 51 major elements. The effective date of the data base is June 1967. Programs for access to the data base are grossly inadequate. It cannot be accessed other than serially (alphabetically, for example)--a situation which produces reports of substantial, and frequently virtually unmanageable, volume and which demands an inordinate amount of printer time. The result is that the product of CONIF is not responsive to specific tasking by management levels and is not used by those levels. Hand manipulation and cross reference of the extensive reports is required for even the simplest inquiries.

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of a specific nature. However, in contrast to the ACORN system, the CONIF data base does contain substantial information on the state of contract settlement.

70. The problem basically is the absence of adequate computer programs to access the CONIF data base in a manner that would be responsive to the needs of management. Our inquiries revealed that the Office of Computer Services could provide programs within two or three weeks which would markedly improve access and, consequently, the utility and value of the system. We passed this information to the Office of Logistics and were advised that the decision had been made to defer upgrading the existing CONIF in view of the improvements anticipated from the Support Information Processing System (SIPS). In the meantime, considerable effort is being expended in adding to the CONIF data base virtually without observable utility to the Agency's contracting community or management levels.

71. This Agency does not need and should not have to afford two separate and distinct contract information systems. The existence of multiple systems involves multiple data bases, substantial elements of which are duplicative. Also involved are multiple programs and multiple tasking of scarce and hard-pressed programmer talents, multiple tasking of machine time for virtually the same ends, and unnecessarily duplicative and complex administration. The only explanation we received to our inquiries on the need for two systems was that security considerations prevented the merging

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of the Directorate for Science and Technology and Logistics systems. If true, we believe that, in this instance, the principle of compartmentation is of questionable technical validity and that adequate means exist to tailor the product of a contract information system to the access limitations of the consumers.

Recommendation No. 19

That the Deputy Director for Support explore with the Deputy Director for Science and Technology the feasibility of merging the CONIF and ACORN data bases into a single, Agency-wide contract information system.

The CIA Contract Review Board

72. The CIA Contract Review Board was examined to assess its role in providing advice and recommendations to the Director of Logistics in his capacity as the Agency's Senior Contracting Officer. The Board was established by DDS memorandum, dated 26 March 1967, and approved by the Executive Director-Comptroller. It held its first formal meeting on 1 September 1967. It is composed of a chairman (a senior contracting officer and Logistics careerist), appointed by the Director of Logistics, and one member from each of the four directorates. All appointments are approved by the Director of Central Intelligence. The Board is authorized an executive secretary, appointed from the Logistics career service, and secretarial and clerical assistance. It is served, in addition, by Security, Legal and Audit advisors.

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73. The scope of the Board's authorized activities, its authorities, and the source of its staff support is contained in Headquarters Notice [redacted] dated 8 April 1968. This notice states that, in the Board's advisory and recommendatory capacity to the Director of Logistics, it shall review proposed contract actions which exceed \$150,000 in cost or which involve overrun funding in excess of \$22,500 and 15 percent of the original contract cost estimate. The Board also is authorized to review approved procurement requests involving expenditures of more than \$150,000 of a contractual policy, procedural or operational significance. It is directed to monitor the overall effectiveness of Agency-wide procurement policies, procedures and practices; to comment on procurement processes; to recommend interagency joint or procurement policy; and, through the Director of Logistics, to request and to receive advice and consultation from Agency personnel on matters arising from meeting agenda.

74. As presently constituted and chartered, the Contract Review Board represents a modification of recommendations made in the report entitled "A Study of the Procurement Systems of the Central Intelligence Agency, July 1966" by a group of external consultants [redacted]

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That study recommended

[redacted]
the creation of a Special Assistant to the Deputy Director for Support with responsibility for management surveillance of all Agency

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procurement and of a Contract Review Board, chaired by the Special Assistant, with jurisdiction over contracts with a valuation in excess of \$250,000. The Agency's response to the study's recommendations, was to reconfirm the role of the Director of Logistics as Contracting Officer and to create a Contract Review Board advisory to him and chaired by his appointee.

75. We examined the Board in two phases during the course of our survey. Our first review, conducted in late February and March 1969, raised a number of questions concerning the manner in which the Board was addressing itself to its mission, its method of operation, the adequacy of its staff support, and its relationship to the Director of Logistics. We returned to the Board again in July to assess what progress had been made in these areas. The comments and recommendations which follow are the combined result of these examinations.

76. The Contract Review Board represents the only officially constituted body in the Central Intelligence Agency with a review and advisory role in the field of procurement and contracting policy. It is an instrument of the Director of Central Intelligence, charged with responsibility for identifying troublesome and potentially serious problem areas in Agency procurement policies and practices and developing solutions which, in recommendatory form, are passed to his agent, the Director of Logistics, for consideration and

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implementation. With rare exceptions, the Board has not functioned in this capacity. In its 22-month history, the Board has not produced any documentation of a policy advisory or recommendatory character that is representative of its mission to monitor the overall effectiveness of Agency-wide procurement policies and practices.

77. It has conducted a small number of studies involving particularly difficult or troublesome contracts which have come to its attention, but basically its activities have centered around the review of individual research and development contracts for compatibility with established policy, procedures and regulations. Its primary output has consisted of the minutes of the meetings and its comments on individual contract proposals prior to their approval by the Director of Logistics. We believe that these activities could have been performed as well by personnel or components of the Office of Logistics, particularly since they represent essentially staff support to the Director of Logistics in his role as Agency Contracting Officer.

78. In no case have we acquired evidence that the Board has undertaken an examination or review of how well the procurement entities of the Agency are performing their job, how well and efficiently contracting activities are being performed by the Agency as a whole, and how management is performing in the new decentralized

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contracting environment. The Board only recently has examined Agency-wide experience with the performance of individual contractors in connection with its review of research and development contract proposals. It has not addressed such basic subjects as the need for and use of a single automated contract information system as a tool of management, problems associated with the existence of multiple Agency contracts at common contractor facilities, or, as a further example, the effect of prevailing security practices on the Agency procurement image.

79. We are advised that the Board now plans to examine in some depth some of the more technical aspects of the Agency's general contracting activities--settlement, research and development costs, overrun histories, incentives, late payments, patents, accommodation procurements, etc.--and we are encouraged by this trend. However, we believe that the present membership of the Board is capable of reviewing and critiquing basic procurement policies and practices and is willing to do so. We believe that it should address its activities to the production of an annual report which would examine the major aspects of all Agency contracting activities, analyze them, and provide specific recommendations for the correction of any deficiencies. Such an annual review should encompass engineering, production, and analytical contracting activities and should not be restricted to research and development. An annual report should

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in effect, encompass all procurement activities of the independent contracting teams and all contractual responsibilities of the Director of Logistics as the Agency Contracting Officer.

60. Further, we believe that the annual report of the Board should be addressed to the Director of Central Intelligence, through the Deputy Director for Support and the Executive Director. Its primary purpose should be to advise the Director of the state and the health of contracting in this Agency, and the activities of the Board should be directed primarily toward analyzing the elements which comprise such a general policy and operational review.

61. So far as the Board is concerned, we are proposing that it give emphasis to that portion of its charter which directs it to "monitor the overall effectiveness of Agency-wide procurement policies, procedures and practices" and to deemphasize its review of individual contractual actions, reserving such reviews for those cases or groups of cases which possess unique policy implications and which contribute to some element of its annual report.

Recommendation No. 20

That the Deputy Director for Support direct:

- a. That the Contract Review Board concentrate its efforts on the monitoring of the overall effectiveness of Agency-wide procurement policies, procedures, and practices.
- b. That the results of these efforts be reflected in an annual report to the Director of

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Central Intelligence, with recommendations for the resolution of problems and the correction of deficiencies.

c. That the annual report address all facets of the Agency's organization, philosophy, and methods of contracting, to include availability and capabilities of personnel, management techniques and tools, and strengths and deficiencies by category and by case.

82. We noted above that throughout the 22-month history of the Contract Review Board, its activities had been restricted to that category of contractual activities involved in research and development. Responsibility for the limited scope of the Board's activities must be shared both by the Board and by the Director of Logistics. The Board appears to have looked to the Director of Logistics for guidance and direction which, until recently, was minimal; the Director of Logistics appears to have expected of the Board a degree of initiative that it has been reluctant to display. Only recently has the dissatisfaction of the membership with the routine and technical character of the Board's deliberations surfaced as a matter of record. But the membership appears, in the early days of the Board's history, to have been extremely conservative in its view of the mission and responsibilities of the Board and, in the middle and later period, to have been uniquely passive in the interpretation of the initiatives it possesses under [redacted] 25X

83. Early in its history, the Board had presented to it two contract proposals for consideration: One, involving the [redacted] 25X

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[REDACTED]

[REDACTED] . The minutes
of the meeting in which these contract proposals were presented
state that in each case "The Board determined that this case was
not within its review jurisdiction." Since that date no further
contract proposals involving "external analysis" contracts have
been presented to the Board for consideration. This class of con-
tracts in 1968 involved total obligations of [REDACTED] which for
1969 were projected to a value of [REDACTED] for all contracts ex-
ceeding a valuation of \$150,000.

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84. Similarly, the Board never has had presented for its policy
consideration that class of contract proposals or actions of a
production nature. These contracts in FY-68 obligated [REDACTED]
in Agency funds.

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85. We inquired into the basis of the Board's determination
that such contracting activities were not within its jurisdiction
and were informed that it was the judgment of the Board and the
Director of Logistics that its responsibilities for contract re-
view was limited to that category of contracts which fell under
the designation "research and development." We have been unable to
find in [REDACTED] or elsewhere, any such restrictions on the Board's
deliberations. So long as a contract proposal represents a val-
uation of \$150,000 or more, it technically is subject to review by

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the Contract Review Board. We believe that to restrict the Board's activities to the "research and development" category of contracts is both unnecessary and unwise.

Recommendation No. 21

That the Deputy Director for Support establish with the Chairman, Contract Review Board, an understanding that the Board's authorities extend to include review of external analytical and production contracts and so inform all Agency components engaged in these categories of contracting activities.

36. We estimate that the addition of production and analytical contracts to the Board's deliberations will add approximately 45 additional cases a year to its agenda. While the Board probably could handle the added work, it should have ample time to structure, research, analyze, and write its annual report to the Director. We are advised that of the 86 contract cases considered by the Board through mid-July, 24 were for overruns and changes of scope and, of the remaining 62, 24 were valued between [redacted]

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Thirty-eight of the 62 individual cases concerned contracts valued at more than [redacted]

37. To avoid overburdening the Board with the added responsibilities for an annual report and for production and analytical contracts and to emphasize further its policy orientation, consideration should be given to raising the valuation of contracts for automatic consideration by the Board from the present [redacted]

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Recommendation No. 22

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That the Deputy Director for Support seek revision of [redacted] or its successor issuance, to provide for automatic consideration by the Contract Review Board of contracts valued in excess of \$250 thousand.

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88. Paragraph 1.b. of [redacted] states that "The (Contract Review) Board's responsibilities shall be discharged without assumption of operational, technological, or contractual responsibility--its responsibilities remaining advisory and recommendatory." This statement has been interpreted to permit the injection into the Board's deliberations of a fairly narrow interpretation of the "need-to-know" principle, with the result that on at least one occasion the Board has been denied information which its membership requested in the course of reviewing a contract proposal.

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89. The case alluded to, above, concerned the DDS&T Project

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[redacted]
[redacted] as prime contractor. Extracts from the minutes of the meeting of 22 January 1969 and from the Project Docket, dated 28 January 1969 describe the situation.

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22 January Minutes - "The issue of an upcoming technical briefing on Project [redacted] to be given by the Project Manager at Friday's meeting was challenged by (the DDS&T member). (He) felt that such a briefing was not required in view of the sensitivity of the project and the "need-to-know" principle. The Board agreed that this was not the intention of the Board, but that the Project Manager be present at the meeting to answer any technical questions which might arise. The recommendations appearing on the docket would be changed to reflect this."

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23 January Docket - "At a meeting of the Board on 22 January 1969, the Board adjusted its request for a briefing to the extent that the appearance of the Technical Monitor should be for the purpose of answering appropriate questions concerning the contract negotiations rather than for the purpose of offering the Board a complete technical briefing. The Board recommended that the Director of Logistics, in considering this case, take this change into consideration."

The Board's action in this case in qualifying its recommendations to the Director of Logistics, in view of the limitations imposed on its access, apparently reflects its dissatisfaction. However, there is no evidence that any member or the chairman undertook representations to acquire a decision which would rectify the situation.

90. In our view there can be no justification for the injection of the "need-to-know" principle into the Board's deliberations, except when specifically authorized by competent authority. The senior character of its membership, the small number of officers

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involved, the potential for embarrassment implicit in the Agency's contracting and procurement activities, and its policy advisory role all argue against the continuation of this policy.

Recommendation No. 23

That the Deputy Director for Support seek authorization, either by consultation with the other Deputy Directors or, if necessary, by referral to the Director of Central Intelligence, for the Contract Review Board to have access to any and all information (except as specifically exempted by competent authority), or to the advice of any Agency personnel, that may be required for its determination of the desirability and validity of contracts referred to the Board for consideration.

91. Any inquiry of the type we have directed to the Agency Contract Review Board inevitably raises the question of the management level to which the Board should be advisory and recommendatory. In previous sections of this report we have criticized the Board for indulging in analysis of the technicalities of individual contracts, rather than addressing the broader subject of the effectiveness of Agency contracting policies and their observance and implementation. We are inclined to believe that so long as the Board is attached to the Office of Logistics and is responsive to the tasking of the Director of Logistics it will continue to have a technical, rather than a policy, orientation. We believe that this conclusion has been proven by the experiences of the past 22 months.

92. Accordingly, we believe that the Board should be moved to a position advisory to the Deputy Director for Support. If imple-

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mented, together with the recommendation concerning the production by the Board of an annual report on Agency contracting activities, it will serve to make the Board responsive to an official who by the nature of his responsibilities is policy oriented, will serve to eliminate one echelon of command in the Board's responsiveness to the needs of the DCI, and will permit the Board to review and critique more effectively the manner in which the contracting activities of this Agency are being managed by the Agency Contracting Officer.

93. An obvious disadvantage of such a move is, of course, the tendency to isolate the Board from its data and informational sources. However, we note that we have recommended elsewhere in this report that a new Assistant Deputy Director of Logistics for Contracting should have responsibility for providing whatever data the Board requires in fulfillment of its mission. Our chart entitled "Recommended Chain of Command for Policy on CIA Funded Contracts" shows the Contract Review Board attached to the Deputy Director for Support with a "data link" leading to it from the Assistant Deputy Director.

94. Finally, we feel that the name of the Board should accurately reflect the nature of its responsibilities and activities. If the reorientation of the Board which we have recommended is accepted, we believe that it would be appropriate to rename it the "Agency

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Contracting Policy Review Board." This is not a minor point. For large elements of the Agency, including many engaged in procurement activities, the name will be the only readily available clue to the mission of the Board and it should be both explicit and descriptive.

Recommendation No. 24

That the Deputy Director for Support make the Agency Contract Review Board advisory to him rather than to the Director of Logistics; and that he change the name to the Agency Contracting Policy Review Board.

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